FOREIGN AFFAIRS

Stephen S. Rosenfeld/Andrew Knight *The Conduct of American Foreign Policy* – Samuel Brittan *The World Economy* Josef Joffe *Europe and America* – Michel Tatu *U.S.-Soviet Relations: A Turning Point?* – Joseph J. Sisco *The Middle East* – Alan Riding *Central American Quagmire* Susan Kaufman Purcell *War and Debt in South America* John de St. Jorre *Africa: Crisis of Confidence* Robert Keatley *East Asia: The Recession Arrives* *Chronology 1982*

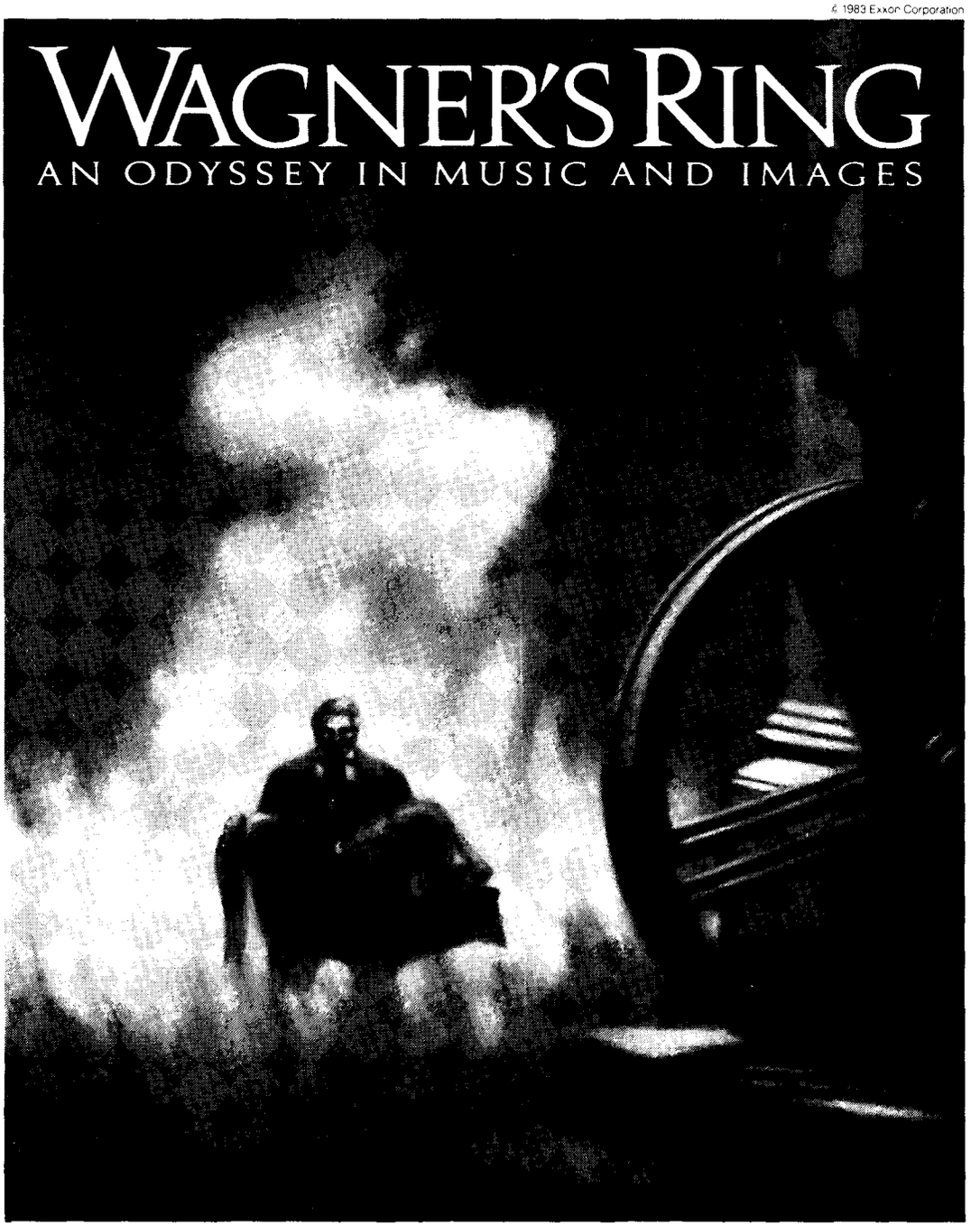
LIBRARY
FEB 22 1983

$6.75 a copy

AMERICA AND THE WORLD 1982

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

© 1983 Exxon Corporation



DIE WALKÜRE

Act I Feb. 21 / Act II & III Feb. 28. From the Bayreuth Centennial Production.
The Ring continues in April with "Siegfried."
Great Performances, Mondays at 9 PM on PBS

EXXON

FOREIGN AFFAIRS (ISSN 00157120), America and the World 1982. Vol. 61, No. 3. Published five times annually (September, December, February, April, June) at 58 East 68th Street, New York, N. Y. 10021. Subscriptions U.S. $22.00—Outside U.S. $28.00 per year. Second Class Postage paid at New York, N. Y. and at additional mailing offices. POSTMASTER: Send form 3579 to Neodata, P. O. Box 2615, Boulder, Colo. 80302.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

FOREIGN AFFAIRS

AMERICA AND THE WORLD 1982

THE CONDUCT OF AMERICAN FOREIGN POLICY
Testing the Hard Line . . . . . *Stephen S. Rosenfeld* 489
Ronald Reagan's Watershed Year? . . . . . *Andrew Knight* 511
A Very Painful World Adjustment . . . . . *Samuel Brittan* 541
Europe and America: The Politics of Resentment (Cont'd) *Josef Joffe* 569
U.S.-Soviet Relations: A Turning Point? . . . . . *Michel Tatu* 591
Middle East: Progress or Lost Opportunity? . . . . . *Joseph J. Sisco* 611
The Central American Quagmire . . . . . *Alan Riding* 641
War and Debt in South America . . . . . *Susan Kaufman Purcell* 660
Africa: Crisis of Confidence . . . . . *John de St. Jorre* 675
East Asia: The Recession Arrives . . . . . *Robert Keatley* 692
Chronology 1982 . . . . . *Janis Kreslins* 714

WILLIAM P. BUNDY
Editor

JAMES CHACE
Managing Editor

JENNIFER SEYMOUR WHITAKER
Associate Editor

MARK A. UHLIG
Assistant Editor

LUCY EDWARDS DESPARD
Book Editor

SHEILA G. BRILL
Assistant to the Editor

ELISE M. O'SHAUGHNESSY
Editorial Assistant

MAE BENETT
Assistant to the Managing Editor

DORIS ELIZABETH FOREST
Publisher

GRACE DARLING GRIFFIN
Director, Promotion/Book Advertising

ROBERT F. SENNOTT, JR.
Advertising Director

MARGARET K. KABLE
Circulation Coordinator

GEORGE FISHER
Assistant to Promotion Director

PATRICIA HARTOG
Assistant to the Publisher

SUSAN KANDER
Staff Assistant

Editorial Advisory Board

A. DOAK BARNETT
JAMES H. BILLINGTON
HARVEY BROOKS
PHILIP C. HABIB
CARL KAYSEN
JOHN J. MCCLOY
HARRY C. MCPHERSON, JR.
WILLIAM M. ROTH
FRITZ STERN

Vol. 61, No. 3, Copyright © 1983, Council on Foreign Relations, Inc. Printed in the U.S.A.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

This special year-end issue of *Foreign Affairs* is the fifth of its kind. It has apparently found a place not only among our regular readers but in the teaching of international relations here and abroad. To encourage wide academic readership, we are again having a supplemental paperback edition of the issue distributed by Pergamon Press.

This may be a good occasion to explain some of the policies that guide the issue. All of the pieces are commissioned (in contrast to the 20–25 percent of the articles in our other issues that fall in that category). And it has been our practice to have the two lead articles done by an American close to Washington and by a non-American viewing U.S. policy from a different perspective. Paradoxically, in this instance it is the foreign observer, Mr. Knight, who has chosen to go more deeply into inner government workings than his American counterpart, Mr. Rosenfeld. Both, we think, are powerful interpretive treatments of an eventful year.

As in the past, all the authors have responded fully to our invitation, not merely to provide an account of events but to put these events in focus within the wider framework of ongoing problems. Predictably, their assessments of policy and prescriptions for its future course differ—and so on occasion do their views of underlying forces in particular cases.

In short, the issue is not, and will never be, a monochrome Rankeesque attempt at instant history. We remain a journal of opinion, and this Editor has never forgotten the reaction of a great law professor to a student's recitation that opened with the words "The facts . . . ." Jumping with excitement, Austin Scott interrupted: "The *facts*, Mr. Bundy? Only God knows the facts! Just tell us the evidence."

This, then, is the available evidence as seen through the eyes of discerning experts. Their very differences should help provide as good a stereoscopic picture of the year as is now possible.

The articles in FOREIGN AFFAIRS *do not represent any consensus of beliefs. We do not expect that readers of the review will sympathize with all the sentiments they find there, for some of our writers will flatly disagree with others; but we hold that while keeping clear of mere vagaries* FOREIGN AFFAIRS *can do more to inform American public opinion by a broad hospitality to divergent ideas than it can by identifying itself with one school. It does not accept responsibility for the views expressed in any article, signed or unsigned, which appears in its pages. What it does accept is the responsibility for giving them a chance to appear there.*The Editors.

Foreign Affairs is published five times annually by the Council on Foreign Relations, Inc., Editorial Office, 58 East 68th Street, New York, N.Y. 10021. The Editors will consider manuscripts submitted, but assume no responsibility regarding them. Cable address Foraffairs, Inc, New York. Inquiries concerning subscriptions, permissions, and reprints should be sent to *Foreign Affairs* Reader Services, 58 East 68th Street, New York, N.Y. 10021. For information concerning *Foreign Affairs* advertising, telephone Robert F. Sennott, Jr., at (212) 684-5500. *Foreign Affairs* is a member of the Leadership Network advertising group. Subscription price U.S. $22.00—Foreign $28.00 per year. Subscription air mail rates are available upon request. Subscription inquiries: (800) 525-0527. *Foreign Affairs* is a member of the Audit Bureau of Circulations and the Magazine Publishers Association.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Stephen S. Rosenfeld

TESTING THE HARD LINE

Foreign policy is not ordinarily conducted in controlled laboratory circumstances, but 1982 gave Ronald Reagan that opportunity to an unusual degree. A self-confessed anti-communist, he had come to the White House insisting on the requirement for a hard line, and in his first year he had capitalized on it by winning congressional support for a five-year defense plan of $1.357 trillion (in 1983 dollars)—in peacetime and in a period of economic crisis, no less. On the eve of his second year, there occurred an event—the declaration of military law in Poland—which lent itself well to validating the premise of Soviet menace and mendacity on which the President's whole anti-communist stance rested. In those conditions of evident domestic support for a world view freshly authenticated by the main enemy, Reagan had an excellent chance to prove that his analysis of the central problem of American foreign policy was sound. With one year of experience under his belt, and two years to go before elections, 1982 seemed destined to be a good year.

It was not. For Reagan the year was not a disaster of the magnitude that mid-1979 to mid-1980 spelled for Jimmy Carter, who lost his political mandate in that period. But it was a year of frustration, raggedness and uncertainty, reducing the President at one point to observing apologetically that at least the Soviet Union had committed no *new* aggression on his watch. There were no clear successes to point to, and the one diplomatic success claimed in 1981, the Lebanon cease-fire, disintegrated. Among the allies and in American public opinion, Reagan's efforts to ease the general nervousness felt about his hard line did not keep resistance to his policies from growing. This article will deal largely with political considerations, but economic considerations—recession and threatening depression on a world scale—increasingly shadowed Reagan's policy. On the one hand, he had reason to fear that economic anxiety here and abroad would dilute his intended anti-communist focus and, on the other, that gathering catastrophe might lead to basic alterations in the global balance of power.

Stephen S. Rosenfeld is deputy editorial page editor of *The Washington Post*.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Nowhere was there ease. In Poland martial law did move toward a formal end, but there was no loosening of the Soviet-sponsored regime's effective grip. An attempt to muster European support for economic sanctions failed either to punish the Soviet or Polish authorities, or to help the Polish people, producing instead a bruising confrontation with the allies. In Afghanistan, the other principal place cited by Reagan as exemplifying the march of Soviet power, the Soviet army fought on ruthlessly.

In Central America an attempt to find and firm up a reasonable democratic anti-communist center lurched toward an unforeseeable end—or was it an interminable limbo? In Africa the anti-communist line produced acceptable results neither in the Western Sahara nor in Namibia. In the Middle East the effort to build a joint Arab-Israeli strategic bulwark collapsed in the fifth major Arab-Israeli war, not so incidentally helping trigger a stunning change at the helm of the State Department. Torn between his old favoritism toward Taipei and Beijing's demand for unequivocal commitment to "normalization," Reagan moved away from a decade of strategic calculus and found himself facing simultaneously deteriorating relations with both Moscow and Beijing, who were themselves openly exploring a détente of their own. It remained at best uncertain whether in the center ring—the arms control talks with Moscow—the Reagan pressure tactics would produce either an agreement on American terms or a sure onus on the Kremlin. The year-end change of Soviet leadership added to the disturbing sense of unpredictability on the global scene.

Not the smallest source of that unpredictability lay within the President's own foreign policy councils. I refer not merely to Alexander M. Haig, Jr.'s mid-year replacement as Secretary of State by George P. Shultz but also to the indications of policy moderation that flowed after that transition, though perhaps not entirely from it. These signs, in respect to the Siberian pipeline to West Germany, the Mideast and, more tentatively, various other issues, raised the question of whether the Reagan hard line was being quietly eased. The portents appeared to leave the President uncertain whether to accept the credit arriving from some quarters for starting to do the sensible thing or to duck those unsolicited plaudits in order to muffle the cries of betrayal arising from his traditional core constituency on the Right. Substantial sections of the Center and Left, however, remained unconvinced that even the most benevolent Shultz influence could by itself bring the President around to their way of thinking. They were preparing for open political combat on a full range of Soviet-related issues in 1983.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

II

On the eve of the new year the Polish government caught everyone unaware by imposing martial law: a response that was brutal by American standards but, as Europeans knew, mild by bloc standards and one whose Polish quality made it hard to blame directly on Moscow, as Reagan instantly did. The Europeans hesitated. They were committed, as no American administration is, to the commerce (jobs), movement of people and sense of relative tranquillity that are the continuing fruits in Europe of the détente of the 1970s. They saw, moreover, an insupportable inconsistency between Reagan's call for anti-Soviet and anti-Polish sanctions that required sacrifices mostly from the Alliance, and his continuance (and later extension) of grain sales—as well as his reinstitution of draft registration only: pale beer to countries that take conscription for granted.

Reagan, behind an ocean and an ideology, was slow to perceive this gap. Nor did he realize that his appeals for a strong united front against martial law would be measured against his reputation as a hardliner bent not only on some sort of generalized confrontation with the Soviet Union but also specifically on a challenge to the position in Eastern Europe that the Soviets felt they had confirmed at Yalta. The Europeans, moreover, never having regarded the 1975 Helsinki Accords on European security and cooperation as more than a lever for gradual amelioration in Eastern Europe, retreated from the Reagan avowal that Helsinki justified even efforts to undo the region's Soviet-sponsored regimes.

Meanwhile, the gruff European reaction to Reagan's appeals fed, on the American side, a wave of disappointment bordering on disillusionment. If the allies were not moved by the crushing of a genuine workers' movement in the heart of Europe, what would stir them? Within the Administration, Secretary of State Haig, even while trying to put into effect a policy of highest-common-denominator economic sanctions, worked to keep these different emotional and political reactions within bounds. To the extent that he succeeded, he accumulated demerits in the White House that were to weigh heavily against him in later days.

Among the allies the heaviest weight of Administration disapproval fell on West Germany for its seeming detachment from the fate of Poland. The men around Reagan had long scarcely concealed a distrust of the Social Democrats, who, they believed, favored neutralism and accommodation with the East. The strength of the German peace movement had already induced Reagan to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

move more quickly than he had planned to open Soviet-American negotiations on Intermediate Nuclear Forces (INF) in November 1981. These talks were one track of NATO's two-track negotiate-and-deploy decision of December 1979: faced with a new Soviet buildup of mobile triple-warhead SS-20 missiles, the Alliance determined to start deploying American Pershing II and ground-launched cruise missiles in Europe at the end of 1983 if talks with the Soviets had not meanwhile ended the SS-20 threat. Reagan's "zero option" offer on INF—to deploy no new American missiles if Moscow removed all its SS-20s—stilled some of the agitation in Europe. Still, there and in the United States the suspicion grew that Reagan had designed his proposal to be rejected so that an unconstrained arms buildup might then proceed. The Administration was confounded: for steadfastly supporting the agreement under Carter, at Europe's request, to emplace new missiles to offset a Soviet deployment threatening only Europe, it was being indicted for provoking an arms race and a confrontation. Nonetheless, it grimly asserted that NATO had invested so much of its prestige that full deployment on the 1979 terms could not be evaded.

In 1982, chiefly for domestic reasons, the German government changed party hands. The new Christian Democratic leadership at once reaffirmed the deployment commitment. Such were the prospective pressures from the Left on the German and other deploying governments, however, that it was impossible not to ask whether the Euromissile deployments would actually begin on schedule in late 1983. Even before the new year began, Moscow had begun testing Western unity and resolve with suggestions of an INF compromise: no new American missiles and a rollback of the SS-20s to the number of British and French missiles aimed at Soviet targets. Whether Reagan could hold firm to the zero option was likely to be a leading drama of 1983.

All this was plain enough. What was not so plain was why Reagan chose this period in which to press the issue, secondary in substantive terms but primary in alliance-busting potential, of the pipeline. Agreements on Western loans and technology to build this multibillion-dollar project, carrying natural gas from Siberia to Western Europe, had already been completed before Reagan halted American corporate participation in the project in response to the imposition of martial law in Poland. Recession-influenced considerations of jobs and differing evaluations of the energy picture made it most unlikely that Europeans would change their minds.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Administration only weakened its case by constantly shifting its grounds for objection. First, it was the business-as-usual blessing the deal ostensibly gave to the crackdown in Poland; then Europe's unwise dependence on Soviet energy supplies; then the technology and credit bottleneck the allies would let the Soviets escape; and, finally, the hard currency the Soviets would earn later on. This last consideration seemed to count most with Reagan strategists, since their overall approach to the Soviet Union arose from a judgment that the United States could challenge the Kremlin to an arms and technology race, and win. The Europeans found the notion provocative and bizarre. They snorted, too, to see Reagan selling U.S. grain to Moscow, in order to satisfy precisely the sort of domestic imperatives they wished to ease in the pipeline trade.

The issue exploded, or imploded, at the Versailles Summit of industrialized democracies in June. There Reagan raised the pipeline issue not so much to hurt the Soviets, who were going to peddle their gas anyway, as to force the Alliance to deal with the strategic and subsidized nature of much East-West trade. Encouraged by Haig, Reagan evidently thought he had some measure of allied agreement on the broader issue. When it turned out he did not, he decided, at a National Security Council meeting which Haig did not attend but which the new National Security Adviser, William P. Clark, did, to extend American export controls on the pipeline. Henceforth these controls, and the penalties for violating them, would apply directly to the European subsidiaries and licensees of American firms. Thus was added to an already trying trade dispute an emotional European complaint about the reach of American law. Thus, too, was triggered Haig's replacement as Secretary of State by George Shultz.

III

Haig had never sought acceptance or been accepted as one of them by the President and his Californians. They had never stopped regarding him as a lone operator, rather than a team player, with a personal agenda that perhaps included presidential ambitions of his own. The very record that gave him stature—as a Kissinger protégé, a White House chief of staff and NATO commander—made him suspect in some conservative quarters in and outside the White House for his independence of mind and of political base. His personal manner, not least his manner of speech, lent itself to friction with his associates—and to media caricature.

Haig's credentials as a hardliner were impeccable. Invariably, however, a secretary of state's duties allow him, indeed compel him,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to take others' interests into account while he pursues American interests. Haig brought this essential perspective to bear in well publicized cases ranging from Europe (the pipeline issue) to China (the Taiwan issue). But only a secretary of state with an entirely secure purchase on his chief's confidence might have been able to carry off the intelligent accommodations he contemplated. His favoring of Israel was another matter: he was caught sticking to an outlook that the President, in the heat of the war in Lebanon, had abandoned.

There was, in addition, the reorganization of the foreign policy structure signalled by Richard V. Allen's resignation as National Security Adviser. Reagan, intent at first on practicing "cabinet government," had meant to shrivel the adviser's role and rely on his secretary of state. But the personalities and the structure did not work out as the President had hoped. Allen, as it happened, went first, in January, following disclosure of a minor conflict-of-interest indiscretion. To replace him the President brought his California confidant, former judge William P. Clark, over from the State Department where he had been broken in as Deputy Secretary.

Clark arrived at the White House with the evident mission of repairing the general sense that Reagan, who had mocked his predecessor's management of foreign policy, was neither maker nor master of his own, and of reasserting a strong White House role in foreign policy management. With the departure of Allen, Haig lost a vigorous bureaucratic rival. But with the transfer of Clark he lost a useful friend at the White House court. He lost as well the primacy, with all the exposure that entailed, that had been assured him by the previous diminution of the national security adviser's role. At this point, or so it seems in retrospect, it was only a question of time before the sky fell in.

When it did the President turned promptly to George Shultz, who had been among those considered for appointment as his secretary of state. He arrived with the cachet of a major figure, already seasoned as a cabinet officer, well connected internationally, and respected for his academic and business credentials. He had the further advantage of being someone who had not sought the job and was rescuing the President from a major embarrassment by taking it. His reputation for a prudent conservatism promised at once to protect him from the predictable attacks from the Right and to render him at least acceptable to the Center and Left. It was not that, in the common Washington view, he would act as a guerrilla capable of subverting Ronald Reagan's intended line. But

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

he was seen as someone who could make that line apply more sensibly to the real world.

Certainly he did this well on the issue that had figured most immediately in his accession at State. By November, Shultz, a practicing free-trader, had moved the President from the pipeline confrontation to allied consultations on "stronger and more effective" East-West trade guidelines, and from there to talks on American interest rates, European farm exports and new world monetary arrangements—critical issues for which he was better prepared than any secretary of state in 30 years. He took hold quickly, too, in the Mideast, another area long familiar to him. He was slower to bite into the big and, to him, new strategic and Soviet issues on which strong positions had already been staked out by, among others, Secretary of Defense Caspar Weinberger.

In Clark, Shultz deals with a strong personality protective of the President but one who does not appear to be a bureaucratic threat or a substantive match. In Weinberger, he deals with another presidential intimate and reflexive hardliner who is the most active Pentagon diplomatist in memory—he travels frequently and often offers new military arrangements or arms. Still, Shultz, a calming, confidence-building presence, has made the making of foreign policy dull again: the eruptions of the Haig tenancy faded with him and there is no active sense in Washington that a bureaucratic clash is building. A thinness of talent at the upper echelons is more worrisome.

IV

Before Haig departed, he had put his mark on numerous other issues, not least the Falklands dispute. For the Administration, it was not a great issue but it was ideologically an acute one. The President had arrived at the White House sharing the traditional American regard for Britain and adding his personal regard for his fellow conservative, Prime Minister Margaret Thatcher. So when Argentina took the Falkland Islands, it looked like an easy place to take a stand for an ally and against aggression. What complicated the choice was not simply a commendable desire to minimize the costs of a war between two friendly nations. It was that Argentina was at the cutting edge of a policy toward the Third World that Reagan had borrowed from his U.N. Ambassador, Jeane Kirkpatrick. She had distinguished between authoritarian countries like Argentina, imperfect but changeable from within and available for international anti-communist duty, and totalitarian countries, imperfect but not so changeable from within and ready to lend

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

themselves to hostile Soviet or, in Latin America, Cuban purposes.

For weeks Haig straddled the Falklands issue, undertaking an arduous peace shuttle. But the generals in Buenos Aires would not climb down and, as the fleet closed in, Mrs. Thatcher kept narrowing the room available for compromise. With war, Reagan abandoned mediation for partisanship on the British side. After the war he started picking up the Latin American pieces: resuming cooperation with Argentina, voting with Buenos Aires on a U.N. resolution urging Britain to resubmit the Falklands to negotiation and, more broadly, traveling to Brazil and other Latin American nations late in the year to demonstrate a concern for hemispheric relations.

Central America, however, remained the Administration's Latin American preoccupation, and a place where its counterinsurgency techniques evolved through the year. Even before Haig left, the Administration had removed from its voice the edge suggesting the United States might bring its own armed might to bear—to "go to the source," to Cuba, as Haig once put it. It added a tone of accommodation, one underlined by a series of meetings Haig began with Mexican, Nicaraguan and even Cuban officials. (To Cuba the United States seems to have tendered a reversal-of-alliances offer, which Haig privately contended was "anguishing" President Fidel Castro, although the latter gave no public sign of it.) These changes relieved the President of much of the pressure heretofore emanating from a public and Congress with the image of "another Vietnam" fixed in their minds. Presidential rhetoric continued to attribute the region's troubles to external communist instigation. But the Shultz State Department started crediting El Salvador's insurgency primarily to indigenous sources; it also criticized the right-wing nature of much of the violence, to the point where conservative critics said Reagan was slipping into the policy traces of Jimmy Carter.

To its track of economic and military aid (in a three-to-one ratio) to El Salvador, officials added a political track, pushing the armed forces to hold elections. When that process validated the democratic idea through massive participation but gave unwelcome political respectability to the hard Right, the Administration leaned on the armed forces and the politicians to control still rampant official terror, to keep up the momentum of reform and to expand the political process still further. It continued to reject the idea, popular on the Latin American Left, of a negotiation allotting shares of power to the contending parties—the Zimbabwe model. Instead it supported the Venezuelan model (of the late 1950s and the 1960s) of opening up the political process and giving guarantees to all

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

those outsiders willing to participate in it. At the end of the year, there were signs that some guerrillas, or their political supporters, were positioning themselves for a more modest and realistic approach to talks. On the official side, some centrist elements had long been in touch with the Left. It seemed at least conceivable that Reagan could yet end up with a result consistent with his vision of anti-communism, although the costs to Salvadorans would be immense and a collapse still could not be altogether ruled out. He would be held responsible for whatever the outcome was.

To Nicaragua, the Administration declared its interest in engaging the Sandinists in negotiations. Contrarily, it also expanded previous efforts to stop Nicaraguan gunrunning to Salvadoran guerrillas and undertook secret operations to harass, isolate and destabilize the Sandinist regime. For this latter purpose it cooperated with, among others, some hundreds of Honduras-based former supporters of the late former President, Anastasio Somoza. Anti-Sandinist Nicaraguans protested that a link with Somocista guerrillas could hurt negotiations, align the United States once again with a reviled class and undercut still struggling pluralistic elements within Nicaragua. Others pointed out that the anti-Sandinist effort necessarily involved close cooperation with the military in nominally civilian-ruled Honduras, with the result that the civilian power there might shrink further, incipient guerrilla operations might expand and Honduras might be drawn into a widening regional war.

To the Administration, the Sandinists, by their sponsorship (now little questioned) of guerrillas in El Salvador, had forfeited a legitimate basis for complaining about what others might do to them. Shultz, taking over from Haig, continued supporting the same tough anti-communist purpose of loosening the grip of Central America's lone Marxist-oriented regime. At the same time he injected a certain larger credibility into the Haig posture of openness to conciliation. Just before Reagan visited Honduras at year's end, joint American-Honduran maneuvers near the Nicaraguan border were called off, and anti-Sandinist Nicaraguan guerrillas in Honduras were removed from the sensitive border zone.

Even as the political alarms rang, the United States started turning again, with a seriousness not seen since the Alliance for Progress in 1961, to the hemisphere's special economic concerns. These center now not so much on growth and infrastructure as on capital and the other means of enabling Latin America and the Caribbean to cope with their immense debts and to stay abreast of popular expectations. Part of the turn reflected Shultz's interest in the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

economic realm and part reflected a general desire to show that guerrillas were not the Administration's only Latin American obsession.

One Administration response was the set of billion-dollar credits Washington extended to Mexico and Brazil (similarly to India) to provide them with a bridge to multibillion-dollar International Monetary Fund (IMF) bailouts. The Reagan people had come to office with a dour view of the supposedly socialistic nature and the independent multilateral character of international financial institutions like the IMF and the World Bank. It did not warm up much to the Bank, least of all to its soft-loan affiliate, which serves the poorest nations. But it did cross over to firm support of an increase in IMF resources to help the many nations, Latin American and other, in desperate foreign-exchange straits. For Latin America proper, officials plugged hard for the Reagan Caribbean Basin Initiative, an aid, trade and investment package. Its key aspect, the lifting of U.S. tariffs on a new range of Caribbean exports, failed to clear Congress at the end of the year, the victim of heavy lobbying by American labor unions pleading that the measure exported American jobs.

Nicaragua aside, there was one other conspicuous place where the Administration supported guerrillas against a Marxist regime—Afghanistan. Throughout the year the war raged. In November, however, the new Andropov leadership in Moscow signalled a certain readiness to intensify the quest for a negotiated settlement. The question taking shape was whether the globally minded United States would agree to the kind of compromise—one permitting not President Babrak Karmal but a Soviet-anointed successor to remain in Afghanistan at least in the first phase of Soviet withdrawal—that the key American ally, regionally oriented Pakistan, appeared ready to endorse.

In Africa, meanwhile, the effort to deal with guerrilla movements backed in some way by Soviet power dominated policy. In the north, Haig substantially altered the Carter approach to the vexing problem of the Western Sahara. Previously, Washington, while aiding Morocco, had backed a regional search for a negotiated solution. Now Washington, in exchange for access to facilities suitable for the proposed Persian Gulf Rapid Deployment Force, came so openly to Morocco's side that its military-minded King Hassan felt free to allow eight months of intricate diplomacy to lapse. Even to some of his conservative friends in Washington the question became not would he win but would he survive.

A climax of sorts arrived in the attempt by the United States,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

working with four other Western governments, to end South Africa's control of Namibia—an attempt that events had made the symbolic heart of the Administration's whole position in black Africa. Inheriting a stalled negotiation, Reagan thought to offer South Africa "constructive engagment," a more understanding attitude toward its problems at home, in return for its cooperation in letting Namibia go. At the same time, Reagan added as an explicit condition that the Cuban troops in neighboring Angola must also go. By the fall it seemed to many that, had the United States not made the link to the Cubans so public and tight, a Namibian settlement might have been managed and in that improved atmosphere an answer might more easily have been found to the political challenge posed to the MPLA (Popular Liberation Movement of Angola) government in Angola by the South Africa-supported UNITA (National Union for the Total Independence of Angola) forces in the south. Shultz, however, was quickening Soviet-American consultation on the issue. Indeed, only on this issue, probably because of the area's remoteness and small size, was the Administration exploring a great-power disengagement. It had in mind to convince Moscow that only by removing the Cubans could its two militarily faltering southern African clients, the MPLA in Angola and the SWAPO (South West African People's Organization) guerrilla movement in Namibia, muddle through.

V

It was in the Middle East that President Reagan made his major diplomatic mark in 1982. I refer, of course, to the Arab-Israeli dispute, not to the potentially far more disruptive threat posed to America's moderate Arab friends by the Islamic fundamentalist regime of Ayatollah Khomeini. Washington could do little more than wring its hands when Iran, having repelled Iraq's invading forces, started to invade Iraq. By year's end Iran appeared to have a certain military momentum, and the moderate regimes of the Gulf were wondering anxiously what the price of their own stability, even survival, might be.

From the start, Haig's method in the Mideast had been to build a "strategic consensus" against any further post-Afghan expansion of Soviet power. He did not dismiss the Arab-Israeli dispute as a major source of instability. But he calculated it was best to consolidate the Israeli-Egyptian peace treaty, principally by ensuring the return of the last slice of Israeli-occupied Sinai in April 1982, and then to move on carefully to talks on Palestinian autonomy. The fire in Lebanon, Haig felt, had been adequately banked by U.S.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Special Representative Philip Habib in 1981. This was not by any means a frivolous reading. With the Egyptian-Israeli treaty, the danger of major war in the area had receded. With the oil glut, one large reason for pursuing Arab favor by agitating the Palestinian issue was diminishing. Considerations of their own security were moving Gulf Arabs closer anyway toward general cooperation with the United States. Neither Arab nor Soviet patrons were likely to go out of their way to aid the Palestinians. Ronald Reagan, it appeared, felt no particular urge to seize the Middle East baton from Jimmy Carter.

It all made sense, and it all was wrong. In June the Israeli army piled into Lebanon. As one who had substituted an attack on "international terrorism" for the priority earlier accorded to human rights, Haig had long sympathized with the travails suffered by Israel and others at the hands of the Palestine Liberation Organization (PLO). He had a healthy respect for the potential strategic importance of Israeli power. These proclivities were shared by the President. In this sense, he and Haig offered at least a tacit green light—nothing more is on the record—for an Israeli border-zone operation. They had not calculated, however, on how far the Israeli army might go or on the way the American media would portray the war. Nor had the Israelis foreseen the reaction when they chose a strategy culminating in the televised siege of a city situated miles beyond the border zone announced as their first objective.

Suddenly the American focus became the damage being done to civilians by the Israeli onslaught. The offenses of others faded away. All of the frustrations and resentments that had collected in the public mind, and especially in the bureaucracy, over the collisions with Israel in the years of Prime Minister Begin's leadership seemed to explode in criticism of the siege. The Israelis, it was widely and tersely agreed, had gone too far; they had abused the confidence reposed in them by the United States and by Ronald Reagan personally. The fever helped sweep out Haig, who left muttering of a failure of nerve on the part of an Administration that had come to power insisting that its predecessors had lost their nerve. His successor had previously made no secret of his conviction that the United States had indulged Israel excessively and thereby shorted its own Middle East interests.

Shultz's first regional task was to bring American influence to bear to stop the shooting and arrange for the PLO's evacuation from Beirut—a withdrawal for which Israel, whose troops had made it possible, received scant credit. It had been a post-Vietnam landmark

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of sorts when, a few months earlier, American troops had joined a peacekeeping unit in the demilitarized Sinai. It was a far more substantial step for the Administration, with a jittery Congress looking on, to send Marines to a tense city in a country still filled by contending forces. Arriving to oversee the PLO's withdrawal, they left soon but then soon returned, after the Beirut massacres by Lebanese Christian militiamen, and took up extended peacekeeping duties to support Ambassador Philip Habib's effort to remove all foreign forces, Israeli, Syrian and PLO, from hapless Lebanon.

Meanwhile, Shultz drafted a plan capitalizing on the "post-Lebanon" strategic circumstances, principally the defeat and forced removal of the PLO. On September 1, Reagan reversed an adult lifetime of sentimental regard for Israel and offered new proposals for a Palestinian-Israeli settlement. Drawing on but going beyond the Camp David terms, these proposals envisaged a negotiated Israeli withdrawal from most of the West Bank and Palestinian self-rule in the territory "in association with Jordan." To start, the President asked Prime Minister Menachem Begin to freeze the West Bank settlements, which had done more than anything to convince Palestinians and others that Begin meant to annex the territory.

With that speech, the center of Middle East debate shifted from whether the United States accepts the centrality of the Palestinian question to whether the plan can be put into effect—over Begin's objections on one hand and the Palestinians' on the other—by the means to which Reagan and Shultz insist they are wed. They support persuasion rather than outright pressure, playing to Begin's political opposition by drawing King Hussein of Jordan to the peace table and thereby isolating both Begin and the Arab rejectionists and diminishing any drag by the influential American Jewish community. At Arab urging, a determined Reagan accepted as the first test of his credibility to remove Israeli forces from Lebanon—on their removal, it is agreed, hinges the withdrawal of Syrian and PLO forces. As 1983 opened, Israel and Lebanon's President Amin Gemayel had opened a back channel and were also conducting formal talks. In the new year the larger Palestinian initiative would likely succeed or fail.

Elsewhere in the Third World, the Administration extended its policy of building selected positions of strength. (What the President thought of the Third World as a whole was perhaps suggested in part by his private explanation for refusing to sign the Law of the Sea Treaty, the Third World's diplomatic pride: "We're policed

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and patrolled on land and there is so much regulation that I kind of thought that when you go out on the high seas you can do what you want.") This policy entailed in the first instance arms sales, elevated in a White House formulation of "national security strategy" to top priority. Pakistan, Turkey and a number of Arab states were its principal beneficiaries.

The policy also entailed a lowering of the public emphasis Carter had put on human rights performance in friendly states. Among the notorious cases, only in respect to Chile did those Administration elements bent on maintaining a principled consistency prevail—barely—over those wishing to do pretty much what the anti-communist line dictated. In London in June the President opened up a new rhetorical front with a call for a "crusade for freedom," meaning appeals and open assistance for democrats and democratic institutions in the Third World and where possible in the communist world as well.

VI

It took a trauma to move Ronald Reagan to action in the Middle East. In East Asia there was no trauma, just a steady grinding. With Japan, always the American priority, the central concern remained a search for complementary economic policies to minimize the impact of Japan's trading practices on American jobs and, as a consequence, on American goodwill. At the same time the Administration sought to draw Japan into taking a marginally larger role in the containment of Soviet military power.

With the People's Republic of China there was a more portentous change. Reagan's election had alerted both Taipei and Beijing, leading the former to test Reagan's stated favor by asking for arms that would surely provoke Beijing and leading the latter to test Reagan's formal commitment to the Nixon-Ford-Carter course of normalization by asking that those same arms be denied. Through the year Reagan's core constituency appealed to his heart while his more pragmatic aides, led by Haig, appealed to his strategic head. What made the question so tough for Reagan was his instinctive anti-communism, an attitude making him hesitate to accommodate a communist power, here China, even when it was demonstrably in the American interest and when he could do so without jeopardizing the security of Taiwan.

In this instance, Reagan finally approved the Haig formula linking the provision and eventual restriction of arms for Taiwan to expectations of progress in peaceful ties between the two Chinese regimes. Reagan was slow and reluctant enough in taking Haig's advice,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

however, to give the wary Chinese evident second thoughts about the worth and durability of their American connection. The Chinese may also have felt that Moscow was no longer as irreversibly menacing as they had previously estimated. Reagan continued to shade American support for Beijing in its contest with Vietnam by deferring to the other Southeast Asian nations' interest in keeping Vietnam available as a regional counterweight to China. The strategic dialogue that the Carter team had undertaken, for its intrinsic value and to keep Beijing from focusing exclusively on Taiwan, was allowed to trail off. The Administration failed to move forward on selling China either modern technology or arms.

The Kremlin saw its own opening in these developments and in the fall the long-frozen political talks between the People's Republic and the Soviet Union were resumed. At Brezhnev's funeral, his replacement as General Secretary, Yuri Andropov, received the Chinese Foreign Minister in the highest level of contact since the 1960s. The possibility of a Soviet-Chinese reconciliation in a party or ideological context looked dim but some progress seemed to be at least conceivable on the state level in one or more of China's announced priority categories: Vietnam/Kampuchea, Afghanistan and troop deployments on the Sino-Soviet frontier. Such was the zone of uncertainty to which Reagan helped bring relations on the strategically crucial Washington-Moscow-Beijing triangle in 1982. It was the backdrop to the trip to China that Shultz was planning to take early in February 1983.

VII

We come to the heart of the Reagan foreign policy. Early in his presidency, the President had confirmed his premise that the Soviet Union cheats and lies, is evil and immoral in its ideology, conducts a predatory foreign policy and cannot be trusted either to accept "rules of engagement" in political competition or to be a reliable partner in negotiation. This left Reagan with a policy based on rearmament, confrontation and an ideological crusade for freedom, though he was always careful to say that no inordinate risks should be run by confrontation until rearmament was well advanced. As to the common rejoinder that an American arms surge would merely elicit a countering Soviet surge, Reagan insisted, first, that the Soviets were ahead and, second, that the Soviet economy was already stretched so near its limits that it could not so respond, notwithstanding the discipline of the Soviet political system—unless the West carelessly provided the easy credits and advanced technology that would let Moscow slip the noose.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Despite this dogma, the President had shown himself flexible enough to propitiate somewhat the European peace movement by opening up talks on Intermediate Nuclear Forces (INF) late in 1981. In so doing he implicitly put aside the contradiction between his ideologically motivated distrust of the Soviet Union and his politically inspired willingness to negotiate. He also quietly put aside his theory of "linkage," which had conditioned Moscow's suitability as an arms control partner on its general political behavior. Or perhaps Reagan did resolve those contradictions in a certain substantive sense by the nature of the negotiating positions he tabled for INF and, in May 1982, for the Strategic Arms Reduction Talks (START). These positions reflected a rich quotient of the skepticism, toward the Russians and toward the negotiating process, that Reagan had brought to the White House. They were, in their American critics' word, unnegotiable.

But I run ahead. The novel foreign policy development of 1982 was the expression of popular chemistry known as the peace movement or the nuclear freeze movement. It prompted this question: coming to office with a hard line tolerated, if not supported, even by a substantial number of the people who had voted against him, how did Reagan manage to dissipate much of that consensus and to fuel an opposition that grew into a major nuisance in 1982 and might become a political force to contend with in 1983 and beyond?

It was not so much, I think, his rearming, although many people started gagging on the scale and seeming randomness of what Reagan turned out to have in mind. It was his attitude, ambivalent bordering on negative, toward arms control and his seeming indifference to public reaction to his Administration's statements on nuclear war. The late Soviet President Leonid Brezhnev aside, Ronald Reagan had done as much as any single person to sour the climate for arms control before his election. With his expanding arms budgets and his sense of imminent peril, the popular feeling grew once he took office that he was stinting on arms control, an activity which, for all its limitations, provided an essential balancing wheel.

Reagan acknowledged this feeling by entering the INF and START talks, on both occasions delivering well-received speeches emphasizing a fidelity to the arms control process. He also agreed under pressure to live with the unratified SALT II treaty, if the Soviets also would. But these steps came off as partial, grudging and equivocal. The Administration kept suggesting, for instance, that SALT II was "dead," that adherence to it was "temporary" and that the treaty would not bind future weapons choices.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Reagan foreclosed further talks on a comprehensive nuclear test ban treaty, a negotiation carried forward by every President since Eisenhower and one integral to American obligations under the nuclear nonproliferation treaty. He undertook a warhead testing program suspected of being designed to break over the 150-kiloton limit of the threshold test ban treaty (signed but not ratified). Late in the year the "Dense Pack" basing mode, designed to protect U.S. missiles by placing them together in one closely spaced cluster, was officially recommended for the MX missile, although its seeming requirement of an eventual anti-ballistic missile defense promised to cut directly across the ABM treaty, and it was quite possibly in violation of SALT I and II provisions, too. The previous Administration's pursuit of an anti-satellite treaty yielded to what former Secretary of State Edmund Muskie called "an all-out arms race in space." Negotiations on banning chemical weapons were shelved, although here there was a special factor: well-established Soviet-bloc violations of the Geneva Protocol (on chemical weapons) in Afghanistan, and of the biological weapons convention (regarding substances such as the "yellow rain" toxin) in Indochina.

In late 1981, in a sequence which set the tone for much debate in the year that followed, Reagan had suggested that a limited nuclear war in Europe might not escalate—a conventional and even innocent observation in a certain context but one that the European press portrayed as a cynical confession that America would perch safely on the sidelines while Europe was incinerated. Reagan's fault in that instance was in failing to anticipate how people would react to hearing a President already known as a cold warrior speaking in his simple and direct manner about nuclear war.

Partly fairly, partly unfairly, he came to be seen in nuclear matters as casual and insensitive, untutored even when he was sensible, more concerned to establish credibility in Moscow than to win confidence in Europe or America. Nor were his real and perceived gaps in this area filled well by his chief aides, or by their aides. Secretary of Defense Weinberger was the adviser who had sold a befuddled Reagan his first MX decision by showing him a cartoon. Shultz and Clark were newcomers to a strategic debate whose major participants have been with the issues for 20 years.

Through 1982 the impression spread, becoming something of a political fact, that Reagan in his simplistic anti-communism had abandoned the certainties and comforts of deterrence as a nuclear strategy and gone over to the risks and rigors of "war-fighting." If true, this in itself would have been the most significant event of the year. In fact, this perception was not wholly accurate though its

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

widespread credence was a result of the whole Reagan nuclear posture.

American strategists had long seen Moscow moving toward or, some thought, beyond rough parity. This had led them to ask whether a threat of all-out nuclear retaliation, a threat first made in conditions of undoubted American superiority, would still deter the Kremlin from making or threatening either a nuclear or conventional attack against the United States or an ally. Since the 1960s, when "flexible response" replaced "massive retaliation," the United States had accepted the notion of deterring lesser Soviet threats by lesser and therefore more credible American responses. But a weapon, or a doctrine for its use, that one person approves for being "more credible" is sure to be offensive to someone else on the grounds that it makes war "more thinkable." Discretion and consultation and provision of strong conventional forces, to raise the nuclear threshold, are the traditional ways to ease the pinch.

This dilemma only sharpened through the 1970s, as Soviet progress toward a hypothetical first-strike capability against American land-based missiles came to preoccupy American planners. The planners responded, sometimes explicitly, sometimes not, with weapons and doctrines increasingly consistent with fighting some sort of nuclear war. Their intent, by and large, was not literally to contemplate fighting a nuclear war—although some strategists have always been more prepared than others to drift intellectually across that line—but to convey to a foe believed ready to take high risks that the United States would not be so blackmailed. All of this was regarded as part of the necessary new intellectual and mechanical apparatus of deterrence and all of it was subjected to continuing debate.

It was one thing, though, for such a debate to take place under a President working in his fashion to improve relations and stabilize a balance with the Soviet Union (as did Presidents Nixon, Ford and Carter). It was quite another under a President working for a "margin of safety" over an adversary he pronounced irremediably rapacious and hostile to the very notion of balance. The very same MX that, when planned by Ford and Carter, seemed to the political community arguable but acceptable if a sensible basing mode could be found, encountered a storm of opposition when Reagan presented his second basing mode for it, the "Dense Pack," in the fall. The Administration put forth a $4-billion civil defense proposal in May and it was taken as evidence not simply of a loose grip but of an actual intent, or at least an intolerable readiness, to countenance nuclear war.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

When, in this journal, a fresh call was made for consideration of the familiar doctrine of no first use of nuclear weapons, it was a political event on two continents.[1] A national debate on nuclear deterrence itself opened up when the National Conference of Catholic Bishops drafted a pastoral letter that questioned the morality of the existing U.S. nuclear policy.

In May *The New York Times* published a leak of a Pentagon five-year planning document in which the United States was said to be preparing to "prevail even under conditions of a prolonged [nuclear] war": familiar (and grim) enough in context, but it was neither reported nor read in context and instead became the stuff of an ongoing indictment of the Administration's nuclear proclivities. Weinberger only fed the fire by replying that it was part of a longstanding policy of deterrence for the United States to possess forces that could survive either an initial attack or a prolonged battle and then retaliate. By this time the Administration had talked itself into believing that its nuclear will might actually be tested by the Soviet Union. It never recovered either its balance on the nuclear issue or its claim on the public's nuclear confidence. Reluctant as it was to nourish people's anxieties about war, it was no less reluctant to publicize to the Soviets that American deterrence policy was being constrained by popular fears.

The freeze itself, an old idea, was reborn at the grass roots, came within one vote of winning endorsement in the House of Representatives in March, and was approved in eight of the nine states on whose ballots it appeared in November; it carried 52-48 in the legislature in the one state, California, where the Administration had sharply counterattacked. Within freeze ranks, there was little consciousness of, let alone consensus on, the tactical, political and strategic merits of a resolution asking the President to negotiate a verifiable freeze on the testing, production and deployment of all nuclear weapons and their delivery vehicles.

The Administration, however, after making a certain effort to identify itself with the campaign's higher aims, decided to reject a freeze as injurious both to its rearmament plans and its negotiating posture. Thus President Reagan in October moved from arguments on the merits to suggestions that some freeze supporters were Soviet dupes. As the year ended, he was showing no disposition to suspend or reverse the reduce-first, freeze-later negotiating program he had put to the Kremlin. On their part, some freeze spokesmen were backing off from their earlier embrace of mutual and negotiated

[1] Bundy *et al.*, "Nuclear Weapons and the Atlantic Alliance," *Foreign Affairs*, Spring 1982.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

arms limits, suggesting instead that they would attempt to force Reagan to make unilateral concessions at the INF and START talks.

Also taking shape was a broader-based campaign, enlisting freeze advocates, defense conservatives and budget watchers of all persuasions, to question the size and shape of the Reagan defense budget. Its basic impulse was the feeling that defense, under Reagan the fastest growing budget sector (six to nine percent in real terms), would have to take its share of the cuts needed to reduce his immense deficits, those deficits being especially responsible for the continuing high interest rates that were retarding economic recovery.

The grand debate that enveloped the MX missile just before Christmas firmed up the further popular feeling that the Administration's defense buildup had been carelessly conceived. The arbitrariness and seeming inadequacy of the "Dense Pack" basing mode proposed for this missile became the leading case in point. Reagan argued that killing or delaying the MX would take an ace out of his START hand. Still, Congress denied $1 billion in production money and so conditioned spending of research and development funds that it was questionable whether the missile would survive in the new year. This was the first time any Congress had balked on a major new weapons start. In response, Reagan named a prestigious bipartisan commission to study MX deployment options and report by March.

But the entire remainder of the record $232-billion defense budget passed virtually unscathed. Notwithstanding the clamor in the Congress and the media, the polls have shown continuing support for Reagan's buildup, as long as he does not go completely overboard. By making early low-dollar commitments on systems whose high-dollar costs present themselves for automatic payment later on—for instance, the two new carrier task forces in the 1983 bill—the Administration has sought to insulate itself from congressional or public second thoughts. By and large, critics have shied away from taking up its challenge to cut defense spending by first trimming overseas political commitments. What seemed probable in the new year was more turbulence and some reduction, but only in the rate of increase of military spending.

VIII

Then the Administration encountered Yuri V. Andropov, the Party regular and former KGB chief who quickly took over as General Secretary of the Soviet Politburo when Leonid Brezhnev died in November at age 75. Americans had no particular fix on

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Andropov beyond the deduction that his relative youth (68), his intelligence background (with a heavy foreign-affairs quotient) and his presumed debts to the military would make him a formidable adversary. Mostly from his Left, President Reagan was urged to review his policy, to demonstrate goodwill, to offer Moscow a new option or, some said, even a new favor, in order to reverse the negative drift of Soviet-American relations and to take advantage of whatever new fluidity might be winkled out of the Kremlin succession. Secretary of State Shultz suggested quietly that Reagan go to the Brezhnev funeral. From most quarters within his Administration and from his Right, however, the President was urged to take the tack that seemed to come most naturally to him, and that he took: to stay his previous course on the basis that it was sound and that the seating of a new Kremlin combination was precisely the wrong moment to give a signal that Soviet hawks might interpret as weakness. One wonders what advice Andropov was receiving, for the two of them wound up saying, in the same tone of forced gravity, that the other should make the first move. Neither moved.

Just as Andropov took over, Polish Solidarity Movement leader Lech Walesa was released after 11 months of military law internment. But Walesa was not released to the dialogue of reconciliation he had sought with the government and the Catholic Church but sent home to his family and to a political context which the government obviously hoped to shape on its own terms. This became clearer as the regime went on to relax the "main rigors" of martial law and, on that basis, to bid the West to restore the economic ties that had existed before martial law was declared. Reagan held back, seeing little change.

No sooner had Walesa been released than Reagan lifted the sanctions he had imposed to keep Western firms from building the Soviet gas pipeline. American officials declared the lifting was neither a payoff to Warsaw nor a gesture to Moscow, insisting instead that the sanctions were simply being traded in to set the stage for tougher alliance-wide restrictions on strategic, subsidized and high-technology trade with the East.

Andropov, in any event, shot out of the starting gate. He opened with a nuanced bow to China and by the end of the year had taken the East-West diplomatic initiative from Reagan with his potentially alliance-splitting offer on European missiles, a bid to Reagan for a summit, and a general posture designed to blunt Reagan's ambitious arms-building program. As these steps unfolded, Shultz, touring Europe, undertook to signal that the United States was interested in a positive approach—with an evident eye to restive conservatives

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

at home, he quickly corrected a journalist who had reported he was "softening" to the Kremlin. Reagan in a year-end interview offered the thought that the Soviets' economic cares might yet lead them "to rejoin the family of nations." In stating a price in political concessions (on Poland, arms control and dissidents) that Moscow would have to pay for a summit, he left a certain opening for a meeting simply if it were well prepared.

IX

In 1982, Ronald Reagan, testing the hard line, began to meet the real world. He met the Soviet Union over Poland, Europe over the pipeline and China over Taiwan, emerging scarred from all three encounters. He met the Mideast over Lebanon and, before the crisis had passed, switched policies—and secretaries of state. He met, indirectly, assorted Third World insurgencies, defeating or conciliating none of them. At home and abroad, he met the expectations and anxieties he had fed by his early pronouncements and policies on Soviet power. These promised to mount toward a climax as crucial questions of Euromissile deployment and the INF and START talks matured in 1983.

In domestic economic policy in 1982, Congress took much of the play away from the White House and made a "mid-course correction" which was subsequently confirmed in the fall congressional elections. Apart from the MX, Congress was not of a mind to make a similar "correction" in foreign policy in 1982, but in that realm a force was building in public opinion that seemed likely to create a challenge of uncertain dimensions on the defense budget, on arms control negotiating strategy and, conceivably, on certain regional questions: in short, an incipient across-the-board confrontation with the President's confrontation strategy. In this sense, Reagan's hard line was bringing him something of the worst of both worlds, uncertain results if not outright losses abroad and a certain erosion of his political base at home—even, ironically, on his Right.

At the same time, within his Administration, massed informally but in some depth behind the person of George Shultz, another force appeared to be building to challenge the raw hard line. The question was whether and how these more pragmatic elements might temper the President's instinctive confrontational thrust. The answer would be unfolding during a period of evident new vigor in the Soviet leadership, continuing political volatility around the world and deepening global economic crisis. 1983, in brief, promised to be Ronald Reagan's cruelest year.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Andrew Knight

RONALD REAGAN'S WATERSHED YEAR?

On June 25, 1982, halfway through the second year of President Reagan's term, the most effective Treasury Secretary of the 1970s (and now a regular golf partner of the present one) was brought in from the fairways to succeed Alexander Haig as Secretary of State. Seen from Europe, that event has the makings of being a watershed in this presidential term.

Until the President's switch of secretaries, the river of American foreign policy had seemed, often, to be divided into rivulets—and flowing uphill at that. The arrival of Mr. George Shultz, however, was to give an impression—which only the coming year or two will fully test—of some cohesion. It clearly contributed by December to the settlement of the pipeline dispute between America and its four largest European allies (if not yet of the East-West trade issues underlying it); and in the Middle East to the start of a possible peace process (if not yet of anything resembling peace). Judgment on the military and political relationship with Russia—the decisive element in any assessment of Mr. Reagan's foreign policy—has to remain in abeyance; but even here there were some signs by the end of 1982 of a less heady, less inconsistent attitude inside the Administration toward what needed to be done.

On the economic front, the change at State also happened to precede by only weeks the first public awareness of Mexico's financial catastrophe, which in turn has the makings, along with the troubles of Argentina, Brazil, Romania, Poland and others, of being the true decision point for the future of the world's economy. Since these twin events—a new man, a new crisis—there have been progressive signs that real and fully coordinated foreign policy-making might, almost for the first time since the Nixon-Ford years, take place in Washington.

At other times, under some other presidents, the story to be told after two years of office would be about how this particular Administration, after its first year of settling in, had started to give its particular answers to the choices facing it. For the first 17 months under Mr. Reagan, the picture was too confusing for that. Many of the challenges facing the Reagan Administration were not self-

---

Andrew Knight is Editor of *The Economist* in London.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

created. Many of its problems in coping with them were.

Few challenges facing an American president today are as tractable as they once were. U.S. allies in Europe and Japan have more relative power to compete with a battered American economy than they had. Yet America still decides while Europe complains. A central challenge for Governor Reagan, as for President Jimmy Carter, was therefore to handle growing American impatience with the economic penetration and diplomatic independence of Japan and Europe, while mitigating the reactive political confusion of the allies' behavior toward Russia which still so hampers America's liberty to act. Early public division within the Reagan Administration, combined with usual European disarray, prevented that challenge from being met, and by mid-1982 the NATO Alliance was embroiled in acrimonious dispute over the projected pipeline to bring gas from Siberia to Western Europe.

Mr. Reagan was elected, in part, to meet the growing military power and contain the regional expansionism of the Soviet Union. His frequently declared intent to respond firmly to any Soviet move—as Carter had not done—had one healthy effect: it helped to shock Russian policy, during Leonid Brezhnev's last two years, into immobility. The less healthy dangers were several. Two seasons of congressional approval for Mr. Reagan's massive defense programs contributed to long-term budget deficit projections which, in turn, helped raise the cost of money and deepen recession. At home this set defense spending up as a target for budget-cutting in 1983. Abroad it combined with the incaution of Administration language about nuclear strategy to alienate many in Europe from the sterner nuclear and East-West policies which Mr. Reagan (rightly) stood for.

Europe was already vulnerable to nuclear anxiety. The Alliance had committed itself in 1979 to deployment in 1983 of new American intermediate-range nuclear systems on European soil, to counteract the threat of Soviet SS-20 missiles—but at the same time to early and serious negotiations to reduce both sides' nuclear systems. The Reagan Administration's approach to this delicate twin-track arrangement was confused. Eventually it was to put forward sweeping reduction proposals in both theater and overall nuclear arms negotiations—but not before it had made such discordant and disturbing noises about nuclear strategy as to boost a European peace movement, already under way, and to stimulate in turn a companion nuclear freeze movement within the United States itself. Mr. Reagan's inability to orchestrate the reactions of his Administration during its first 17 months in office helped undermine what

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

little nuclear consensus was left in the public opinion of the NATO Alliance.

Farther afield, the Administration's inherited electoral baggage in favor of Taiwan helped to loosen American control of the Kissingerian triangular relationship between Russia, China and America. Its early permissiveness toward Israel had helped permit, by June 1982, a dangerous moment in the Middle East. Its early pumping up of the significance of the threat to stability in Central America helped undermine its effectiveness there. Its attempt to avert war in the South Atlantic failed. And its general handling of economic relations between the First and Third Worlds (notably the cold shoulder shown to the International Monetary Fund and World Bank) made its late-1982 conversion on the road to Mexico City a welcome but belated and suspect one.

In short, the record by June 1982 was ragged—whether worse or better than what had gone before under President Carter hardly any longer mattered. In many ways America's antagonists in the world, Russian and other, were more restrained, if not exactly cowed, when confronted by the air of right-wing competition surrounding Mr. Reagan. But for America's allies that same hard-line competition, which had by mid-1982 led to the departure of Mr. Haig—the first postwar firing of an American secretary of state—caused a catharsis; and this stemmed from much more than the suitability, or unsuitability, of Mr. Haig himself.

II

It is not easy to exaggerate the harm done to the authority and balance of the Reagan Administration abroad by the faction-fighting of its first year and a half in office. Only one foreign policy row seemed to count in early-Reagan Washington—the battle between Defense and State and their respective allies in other quarters. Until the advent of Mr. Shultz, the noise caused by this battle drowned most of the policies the fight was allegedly about—and increasingly drew attention to the inadequacy of a President failing to exercise clear control and serving instead as an umpire between the two combatants, choosing now one, now another, of the proposals from each. Though Mr. Haig's tenure at State became the symbol of this, the President has to take responsibility for it. He appointed the men he then failed to control.

The White House usually commands foreign policy. From the outset of Mr. Reagan's term, however, it merely provided the third point in a triangle between the State and Defense Departments. When combined with his own concentration on domestic policy and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

on preserving his health, Mr. Reagan's White House structure could not control the principals and their rival warriors in the major departments. As National Security Adviser in the White House, Richard Allen was not able, or inclined, to pull either them or Administration policy together; even had he been so inclined, he might have lacked the authority, since, unlike his predecessors, he did not report directly to the President but to his inexpert Counselor, Mr. Edwin Meese. National Security Council meetings were adversary proceedings rather than carefully prepared reviews of policy going beyond an immediate spot decision.

When Mr. Reagan succeeded Mr. Carter, he arrived with a large apparent advantage. The eclectic Carter view, all policies to all countries, was gone, its own victim. Mr. Carter had too evidently straddled the middle, his four years in Washington a lost struggle to reconcile the nation's hard- and soft-boiled to each other; a lost struggle to square reality in Moscow (and reality in half a dozen countries of the Third World) with complex, well meaning (but frequently destabilizing) theories that could neither shape nor fend off reality.

Carter was a President of some intelligence but little wisdom. The Carter Administration was one of many intelligences but no coherence. President Reagan had, in his campaign, promised "to restore leadership to U.S. foreign policy by organizing it in a more coherent way." The odds seemed good that he would achieve it. For the "grandes lignes" of Reagan's foreign policy were, unlike Carter's, never in doubt: a restoration of military strength by strategic weaponry "matching what we know the Soviets to have," and by boosting American conventional ability to hold steady in different regions of the world at once. This was an Administration seemingly more agreed, at the time of its election, about its ultimate aims than any since Eisenhower's. And its basic approach was most clearly stated in Alexander Haig's confirmation statement of January 1981.

With America's allies not unhappy to see President Carter go at the outset of 1981, and its foes apprehensive at seeing Governor Reagan arrive, how was it, then, that so much ground had been lost by the start of 1982? Seen from Europe, three reasons can be advanced, each helping to explain the remarkable events that were to follow during the year.

First, the competition between the Secretaries of State and Defense was not ordinary—it quickly became intensely personal. The new Secretary of State had from the start seized on the notion, for which there was wide support including that of the President

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

himself, that more policymaking power should go to State—that the Kissinger and Brzezinski days of White House policy manipulation, back channels and the rest, should be put into the past. But by overplaying the hand he lost it, and aroused distrust within the Reagan circle which was rarely to subside. For Mr. Haig, despite all his Washington and NATO experience, was abrasive; he had become a disturbingly, almost physically, restless man by the time he was hired by a quiet-mannered, at times almost serene, President to whom he was a stranger. Mr. Weinberger, by contrast, though inexperienced in foreign policy, had long been close to Mr. Reagan, was at ease with him—and was as assertive as Mr. Haig in the bureaucracy but able to work from within in a much smoother, quieter way. Close associates of both reported at an early stage that there was an almost animal dislike between the two.

Then it was the stranger, Mr. Haig, who went to State, the department traditionally inclined to diplomacy, to good relations with allies and manageable ones with the adversary—whereas the old friend Mr. Weinberger went to Defense, the department dedicated to security and to the overriding priority of his and the President's planned military buildup. Thus, on arms control negotiations State, and Haig, were bound—even putting personality aside—to emphasize the practical need to get started on such negotiations, while some of the Pentagon team, and its "present-danger" allies in the Arms Control and Disarmament Agency, were near to believing that arms control was at best illusory and at worst dangerous. As for America's unreliable allies, unless they could be braced up far beyond anything that looked likely from Chancellor Helmut Schmidt in Bonn or a do-nothing government in Tokyo, the United States, in Defense's eyes, should be prepared to act unilaterally of them.

But, third and most fundamental, the depth and intensity of the differences that had developed in 1981 had their origin in deeper nightmares. The loss of America's domestic consensus over Vietnam had made it common practice, and respectable, on the Left to question Administration policy to the point of destruction. Then, in the mid-1970s, America's Right caught the same disease when deep divisions emerged over the real meaning of "détente" with the Soviet Union: those were the years, during and after Watergate, when Moscow seemed to regard its agreements with America as a license to expand its military power and to intervene in the Third World. Many of those who came with Mr. Reagan into the Defense Department and elsewhere had been at odds with the whole course of policy in the preceding decade. Or thought they had. Just as

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

elements in the Carter Administration were McGovernite and to the Left of the postwar mainstream, so this vocal component of the Reagan group had formed a hard-line world view to the Right of the mainstream of policy going back 30 years.

Like the extreme liberals in the Carter Administration, the Reagan true believers were just not given to accepting the compromise that usually attends decision-making. Many had developed habits (some learned at the feet of Henry Kissinger and James Schlesinger) of sniping, planting press stories with favored columnists, and bureaucratic preemption—and a whole ethos such that defeating a wrong course at all costs often seemed more important than developing a foreign policy to which foreigners could respond. This view and ethos were also strong on Capitol Hill, with unrelenting pressure from Senator Jesse Helms and other extreme conservatives to block and control key appointments in State. "Weak-kneed" political appointees and professionals in the State Department—to this day, as in Nixon's, suspected of housing a liberal consensus—were the common initial target, but in the end it was Haig himself. And Haig and State fought back with some of the same tactics.

The seeming obligation to argue over and even to destroy policy rather than to conclude it made American unreliability a way of life for both its allies and adversaries. Robust, often public, dispute over policy-making in Washington—yes, that predated both détente and Vietnam. The respectability of sinking policy in order to uphold one's own disagreement at any cost to the nation—that, the best part of a decade since the Vietnam War ended, is what still seems novel and destructive about Washington life.

It hobbles effective policy. It ensures not merely that the views of both sides in any argument inside the United States are ignored or discounted by friends and enemies abroad. It ensures that painfully hammered out compromises are frequently ignored or discounted in Washington too. Defeated insider rivals simply join forces with those who agree with them in public opinion, in the media and in the heavily bureaucratized and special-interested Congress. Since the argument over policy never ends, and since no commitment by America cannot subsequently be undone, no policy pronouncement from even America's President himself can these days be regarded as final. The more final and stark the President's words are when he announces a "policy," the more provisional they may in fact have to be taken to be.

In the Reagan Administration, Mr. Haig and his colleagues were themselves hard-liners who shared the essentials of the true believers' aims. But as they wrestled with specific problems they almost

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

inevitably emerged as "pragmatists" ranged against the true believers, or "ideologues."

So the virus of the mid-1970s surfaced again in the form of viciously conducted disputes, often over policies where the gap in substance was not huge, between the leaders of the State and Defense Departments. There was, as time went by, to be growing disagreement between the two Secretaries over policy toward both El Salvador and the Middle East. But these bits of turf essentially belonged to State, while Defense took charge of the military program in such a way that State could not control its foreign-policy implications. On China and Latin America the differences within the Administration were more between Haig, on the one hand, and the White House (over Taiwan) and Ambassador Jeane Kirkpatrick at the United Nations respectively, than between State and Defense.

It was on the European front that the State-Defense split and rivalry did greatest damage. Even where the two Secretaries agreed—as for example over a good deal of nuclear strategy, and such issues as the neutron bomb—the way Defense talked about them appalled State, while Haig and his colleagues responded with their own confusing statements, such as Haig's reference in the fall of 1981 to the "demonstration" use of nuclear weapons in Europe and his May 1982 pronouncement that SALT II was "dead"—shortly before the President himself stated that America would abide by its central provisions so long as Russia did.

Here lay the genuine tragedy of the first working half of Mr. Reagan's term. A conservative foreign and defense policy team did not merely surrender in litigation the capital of consensus, such as it was, that underwrote its arrival in Washington. From the start, such was the ferocity of the fights between Mr. Reagan's Secretaries of State and Defense that their public statements, each intended to outpoint and trump the other, succeeded only in alienating opinion, first in Europe and then in the United States, from the aims of both of them. Those lost from Mr. Reagan's cause included key would-be supporters, as well as wider opinion. The lack of a sophisticated conservative defense strategy (in the annual defense posture statements, for instance) lost Mr. Weinberger the sympathy of influential defense specialists in the Senate such as Senators Sam Nunn and Ernest Hollings, while disappointing international security analysts in Europe.

Worse than that, because Mr. Haig's and Mr. Weinberger's competition took place in the public language of cliché necessary to political competition, and because the debate between them had to convince, among others, a President serving his novitiate, it

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

bypassed real issues they—and their horror-struck European audience—should have been arguing about. Both Secretaries agreed (and General Haig had good cause to know from his days as Supreme Allied Commander in Brussels) that the state of conventional readiness of American and other NATO forces was in need of repair. But the cacophony from Washington drowned any hope of facing up to this issue, or of presenting to the European public the rational case that would have been possible for the new nuclear missile deployments as part of a modernized and coherent deterrent strategy. Europe, rarely known for the steadiness of its purpose, was brought to the point where it was a ready target for a "peace" offensive from Moscow.

By the end of 1981 Helmut Schmidt was letting it be known that his impatience with President Reagan was tempered only by his willingness to be patient with his old acquaintance, Alexander Haig. In Britain even Lord Carrington, who had had to put up with leaked private invective against his Middle East views from the lips of the Secretary of State, would in every private and public council go out of his way to boost "old Al"—and, like Schmidt, mean it.

In this writer's view, then and now, Schmidt, Carrington and the rest were mistaken, on the eve of 1982, to be reposing so much desperate hope in the Secretary of State. Precisely because it was Mr. Haig who represented the "European view" in Washington on several critical issues (the Middle East a large exception), the "European view" did not flourish in the White House. Because the President was himself at heart an "ideologue," because of Mr. Haig's restless ambition and because in Mr. Haig's presence the President absolutely never "felt comfortable" (a key Reagan phrase), Europe's Secretary of State in Washington had, by the end of 1981, become adept at getting good policies a bad name.

III

Paradoxically, 1982 began with Mr. Haig fully in charge of his post in the Cabinet, if not of policy. It had been the State Department and its ambassadors which banged away at the President to disarm Europe's rampant disarmers with a clear disarmament proposal; and, once the Defense Department preferences for a "zero option" proposal had won the day, it was to be Mr. Haig's toughest bureauwarrior, Mr. Lawrence Eagleburger, who drafted much of what Mr. Reagan was to say on November 18, 1981.

By early 1982 the temporary magic of the "zero option" proposal had allayed some European alarm. Moreover, imposition of martial law in Poland in December 1981 was by January persuading Europe

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

that its best hope of a careful American response lay, once again, in the hands of the Secretary of State. The Europeans were right in their assessment of Mr. Haig's view, wrong about his ability to deliver it. For all the Secretary's comparative enlightenment in European eyes, what Europeans nevertheless needed was the support—or at least the attention—of Mr. Reagan himself. To have on your side a Secretary of State basically not trusted by his President was little help—indeed it was now starting to become counterproductive.

In fact—at least in retrospect—by the start of 1982 Mr. Haig was still a large part of the issue, and the belated attention of the White House to foreign policy was the signal. Judge William Clark's translation on January 4 from Mr. Haig's elbow at State to Mr. Allen's job at the President's elbow in the White House gave Mr. Haig a friend at court. It seemed. Anybody aware of the Judge's longstanding intimacy with the President, and Mr. Haig's endemic bristliness, might have forecast where this friendship would eventually lead. Few did.

That was hardly surprising. General Jaruzelski's imposition of martial law in Poland on December 13, 1981 was a brilliant stroke: internally it worked, in dead winter, surprisingly well; externally it spread-eagled the Alliance by virtue of its not having been physically carried out by Russian soldiers. It also spread-eagled Washington.

The opening of strategic arms reduction talks (START) was delayed, thereby reducing the effect of President Reagan's November 1981 speech, which, in addition to its proposed zero levels for intermediate weapons, had included the new START acronym and made comforting references to the defunct SALT II. Whether the delay in both sets of nuclear negotiations was damaging is not yet clear. Certainly Moscow had been showing lively interest in Mr. Reagan's speech during the last days of November 1981. But by early 1982, as Washington whipped up the Alliance outcry against Russian "involvement" in Jaruzelski's coup, the Soviet Union became convinced again that business could not be done with the Reagan circle and geared itself up for a renewed peace offensive in Europe to test loyalty within NATO. In America, the delay in early 1982 pushed the present negotiating window in 1983 dangerously near to the moment when the timetable for Mr. Reagan's reelection will either cause him to open it impulsively wide—or to clamp it shut.

For the rest, Mr. Reagan's initial response was a compromise with the drastic proposals for retaliation advanced by conservatives out of government. He cut off chicken feed to Poland, denounced the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Soviets roundly, and forbade the participation of American companies in the Euro-Siberian gas pipeline that had by then been contracted for by West Germany and others.

The Europeans, on the other hand, seemed to treat the events in Poland as a regrettable fait accompli. Notably, not a finger was lifted to halt or delay the pipeline. In late January France confirmed its part of the deal by signing a 25-year agreement with the Soviet Union to purchase 280 billion cubic feet of Siberian natural gas a year, starting in 1984. There were good national, economic and energy reasons for President Mitterrand to join West Germany, Austria and the Low Countries in their pipeline bargain with the Soviet Union. Clearly, however, France took little or no account of American "leadership" after the clampdown in Poland. Its then still new Socialist president had been admirably resolute in his statements toward the Soviet Union. But with this move he handed the Soviet Union a contract of considerable propaganda and commercial value only 48 hours before the Polish parliament was to ratify the martial law decree introduced by General Jaruzelski.

Mr. Reagan's Washington had never been happy about the pipeline. In the previous summer of 1981 the chief Soviet analyst in the White House, Richard Pipes, and the Secretary of Defense had been among those arguing against it on the grounds that it would benefit a Soviet economy which was in severe straits and, according to some in the Administration, on the verge of collapse (or could be brought to be). In addition, they argued that Western Europe was making itself umbilically dependent on Soviet energy supplies. They had a significant ally in this instance in the head of the Central Intelligence Agency, Mr. William Casey, who, while not imagining Russia to be in a state of civil collapse, was nonetheless especially concerned by the huge foreign-exchange bonus that the pipeline would bring to it by the late 1980s.

That should have constituted a formidable Washington alliance against the pipeline. Yet the minimum was done to stop it. In November 1981, a few days after Mr. Reagan's zero-option speech, Helmut Schmidt celebrated with Leonid Brezhnev in Bonn the signature, shortly beforehand, of the gas pipeline arrangement. How could it be that the subject of what was to be a furious diplomatic war between members of the Alliance nine months later, in late summer 1982, should have caused little more than a lone sniper's shot or two in the last days of Solidarity's freedom in 1981?

The answer is that by then Washington was already hopelessly divided over the issue. The State Department itself did not favor the pipeline, and Mr. Reagan had used its brief when arguing

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

against the project at the Ottawa Summit in July 1981. But it argued that, with the project so far gone, America would best confine its opposition to gentle persuasion. Whatever else Mr. Reagan did, he must not, State felt, be the first American President to impose sanctions on his allies; he must avoid the open split in the Alliance that President Carter's post-Afghanistan sanctions had brought about. The faith of the allies in America, so sorely tried already, was at stake, State argued. And in this it was certainly right. This pipeline had been in inception in various forms during most of the 1970s. To puff up its final construction now (on top of everything else the Europeans were having to bear) into yet another diplomatic mushroom cloud over the Atlantic would be too much, said State.

The difference between State and Defense was, in short, one of emphasis that might not have provoked such a cathartic row in the history of the Reagan Administration (and of the Alliance) but for the bitter relations that already existed between the two Secretaries—and the growing impatience of the President with Mr. Haig as 1982 progressed. Over the pipeline, State and Defense had effectively agreed to disagree not about the desirability of the pipeline project but about whether and how to prevent it.

Such an unresolved dispute, even about means, however, is no basis on which to construct harmony, and martial law in Poland was to bring all Washington's latent divisions out. Neither State nor Defense had developed a coherent "theory of the case" either about Poland or about East-West trade restrictions. Now the two—and specifically the pipeline and Poland—had become linked, with the President pledging to do more if things in Poland did not soon get better.

The State Department was given the job of pounding sense into the allies at least on subsidized credits to the East, and Mr. Haig assigned this task to one of his own hard-liners, the ineffective Mr. James Buckley. So Buckley started doing the rounds of Europe, with predictable lack of success, finally producing the vague formula tabled at Versailles (with last-minute help from a then still private George Shultz as a consultant). In the process, Mr. Weinberger and his like came to believe (perhaps with justice) that Haig and his people were conveying the message to the Europeans that the United States now accepted the pipeline at least as a fact of life. Certainly little more for now was heard of the matter from Washington. In mid-April, Administration officials broached the overall question of ground rules for East-West trade to be discussed at the Versailles Summit of Western leaders two months hence—but, they

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

said, there would be no further attempts to block European exports for the pipeline. Speaking to *Time* magazine on the eve of the Versailles Summit, the President mentioned trade and credit but not the pipeline.

Events were to show that neither Mr. Weinberger nor Mr. Clark—nor Mr. Reagan—regarded the pipeline issue as dead. First, in early June, came Versailles and the President's "glorious" week in Europe. But the ink was hardly dry on the Versailles communiqué before an American spokesman built up the credit formula, only to have President Mitterrand of France and to a lesser extent the West Germans say flatly that it was not going to change the way each operated. On June 18, 12 days after Versailles, seven months after martial law in Poland, nine months after contract signature, the President, on the recommendation of Judge Clark and Mr. Weinberger, extended sanctions to European companies manufacturing for the pipeline under U.S. license. Mr. Haig was absent from the meeting, in New York. On June 25 he quit the State Department. Mr. Shultz, at ease in London, was nominated in his place. Stalemate between unruly antagonists had brought eventual explosion. As it usually does.

IV

We shall return presently to the later course of the pipeline dispute. Having split the Reagan Administration, it now split the Alliance more seriously than any single event for at least the previous 25 years—more than the divisions over Afghanistan had done in 1980 or than Europe's refusal to assist the United States in the 1973 Mideast war had done on that occasion. It was just the kind of dispute likely to cement, on both sides, a picture of growing and fundamental division.

The period since President Nixon's demise had been an unfortunate one for Alliance policymaking. In Europe the Common Market has been more assertive as an entity than it has been coherent or wise. In West Germany—the most important European ally both in terms of economic power and strategic vulnerability—domestic political consensus has waned, a process accelerated by the first emergence of high unemployment since postwar recovery began. France has seen the end of a Gaullist and neo-Gaullist era that had produced great gains for almost a quarter of a century. Britain has spent all its post-Nixon years grappling with the consequences of its preceding years of economic soft options; and, worse still, in a perpetual diplomatic dogfight with its European partners that has reduced its reliability as an Atlantic partner for the United States.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Common interest preserved the Alliance through these years, just. But the disarray in Europe was furthered, rather than checked, by the state of public debate in America. As seen from Europe the picture of Left fighting Right over Vietnam, then Left fighting Left under Carter and now of Right fighting Right under Reagan seems to be an almost permanent one. The impetuous decision-making that had alienated Europeans from Carter now seemed to be repeated under Reagan, and on an issue where European views had deep roots put down during the early and mid-1970s heyday of détente.

By May 1982, President Reagan had relented far enough to announce at his alma mater in Eureka, Illinois, an appealing set of START proposals for major reductions in strategic arms—repeating his tactic of the previous November over intermediate weapons by seeking to trump the Soviets' "peace" hand through calling for much deeper cuts than the Russians could tolerate. However, such was Europe's basic fear of the Reagan rhetoric by now that this merely eased for a short time the pressures from the European peace movement and its American counterpart. Worse, the combination of these fears and the pipeline dispute tended to distract European leaders from certain basic tendencies within the Reagan Administration toward unilateral defense policies that could strike at the heart of the Alliance structure.

For America's allies the vital layer of strategic thinking in America goes unnoticed by all but the experts and sophisticates of Atlantic debate. The "damn-those-Europeans" American is not himself a sophisticate of Atlantic military debate, either. But his vote goes to those who argue in favor of channelling a larger share of defense resources to sea—to a navy large enough to be the primary element not only in carrying America's strategic and intermediate nuclear weaponry, but also in providing its conventional local and regional power of response, through a massive combination of submarine and big carrier forces.

For this European author, perhaps the most alarming single consequence of the mesmerizing cold-warrior cacophony of Mr. Reagan's first 17 months is that it has so polarized European opinion between neutralist "Greens" and supportive Atlanticists that neither really notices the real division of Reaganite opinion. So defensive have the Atlanticists in Europe become that they either do not see, or disbelieve, the underlying issue of the American debate: to wit that, in America, Europe's traditional Atlanticist friends are themselves in retreat before a quite new force. No longer are the isolationists in America merely the dovish, Vietnam-hangover forces

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

long ago mobilized by Senator Mike Mansfield. The real potency of American isolationism lies at the heart of Mr. Reagan's Defense Department among those who, with justified contempt for European confusion, and heavily supported by a populist isolationism, are ready to detach America's nuclear deterrent and its freedom to act by putting both to sea.

They are hawks, these, not doves. They would respond well to a Europe that grasped the essence of the present sub-rosa military debate about forward conventional defense, the pointlessness of so many use-them-or-lose-them battlefield nuclear weapons,[1] the growing preference in Mr. Reagan's Washington for improved conventional readiness backed by modernized intermediate nuclear weapons, and so on. But they respond impatiently to Europe's present panicky vacuum—even though their own loose language has helped to cause it.

The innocence among even well-informed European opinion-formers about this trend in America remains staggering. A cautious, responsible Europe would be able to stem it, since Mr. Reagan's hawks will not spurn a cautious, responsible forward line of defense (besides which several of the hawks, starting with Mr. Weinberger, are natural Anglophiles and Europhiles). But a Europe dazed and rendered irresponsible—ironically by the rhetoric of Mr. Weinberger and his friends—will just as surely drive Mr. Reagan's hawks

[1] During 1982, U.S. military planners were arguing with increasing vigor that NATO can better deter conventional Soviet attack with more adequate conventional defense, backed by a sparer, more accurate, and so more formidable nuclear force. Such a policy would downgrade the present elderly short-range nuclear weapons on the battlefield, which under present circumstances confront NATO's military commanders, under attack, with the decision of whether to use these weapons or lose them.

In the spring of 1982 four experienced Americans, McGeorge Bundy, George Kennan, Robert McNamara, and Gerard Smith, argued for moving toward a NATO policy of "no first use" of nuclear weapons to match the meaningless Russian statements to that effect—though without, oddly, addressing themselves in more than a few phrases to the West's willingness or economic ability to plug the conventional gap. ("Nuclear Weapons and the Atlantic Alliance," *Foreign Affairs*, Spring 1982, pp. 753–68.) Any such change in strategy has been clearly rejected, to this point, both by NATO authorities and by the key NATO governments, including the Reagan Administration.

But the more serious questioning of present strategy has come from soldiers, who point out that Russian military strategy is based on use of overwhelming force concentrated at particular points. NATO should, they argue, design its defense accordingly in two ways. It should first base its conventional defense on concentrated counter-attack against the flanks, the rear and the supply lines of an advancing Russian force. And, taking advantage of the accuracy of modern nuclear weapons, NATO should clear its forward weapons out of harm's way and deploy fewer, newer, better weapons further back. Without spelling out the full strategy, General Bernard Rogers, Alexander Haig's successor as Supreme Allied Commander, has indicated some of the elements of such a strategy, estimating that it could achieve effective conventional defense with a sustained annual increase of four percent in NATO military spending. ("The Atlantic Alliance: Prescriptions for a Difficult Decade," *Foreign Affairs*, Summer 1982, pp. 1145–56; General Rogers has subsequently amplified his views in other public ways.)

Politically, however, such thinking—a deterrent posture envisaging that in the event of actual attack West German soil would have to be lost before it could be regained—is dynamite in NATO. The primitive state of debate in Washington merely ensured that such sophisticated military thinking could not be broached politically inside the Alliance. One day it will have to be.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and their successors (whether doves or hawks) to seek the security of America's two oceans.

V

Ironically, it was a war in which rather creaky sea power played a decisive part—but in which the Soviet Union had no role whatsoever—that became Alexander Haig's diplomatic last hurrah. Twelve weeks to the day before his surprise resignation, at a time when the Secretary had apparently rebuilt and consolidated his position in Washington, there occurred one of those bolts from the blue that distract attention from almost everything else. On April 2, Argentina invaded the Falkland Islands, a sparsely populated British dependency some 500 miles east of Argentina's southern coast. British and American intelligence were both caught napping. The few British marines on the islands were captured and repatriated without serious casualty, and the Argentines also took over South Georgia, a further 900 miles away.

Over the weeks that followed Mr. Haig was to show great energy and courage in an effort to mediate and thus avert war between Britain and Argentina. It was perhaps always a hopeless quest but, equally, in this writer's view, nowhere was the underlying weakness of the Secretary of State's power more evident. When mediation failed, Britain proceeded to recapture the islands in a short campaign in late May and early June, and in the end Mr. Haig's efforts became, in the words of a recent British account, "a brave but sorry sub-plot to the Falklands War."[2]

The reasons for this bear analysis. Just before the invasion came, President Reagan made a fruitless telephone call to President Leopoldo Galtieri of Argentina, urging that the action not be taken, but he used no leverage even of a diplomatic kind to persuade him to pull back, and thereafter refrained from any strong personal intervention. And on the evening after the invasion, high American officials, including Ambassador Jeane Kirkpatrick (well known for her pro-Argentine sympathies), attended a Washington dinner in her honor at the Argentine Ambassy. It was one of many indications that the Administration was torn between its NATO ally and a key Latin American nation the Reagan Administration had been at pains to court. Mrs. Kirkpatrick had visited Argentina in 1981, and there had been a whole series of visits by influential Americans, including Henry Kissinger and Ambassador-at-Large Vernon Walters, in the winter of 1981–82. In the State Department, Mr.

[2] Max Hastings and Simon Jenkins, *The Battle for the Falklands*, London: Michael Joseph, 1982, p. 141.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Thomas Enders, the career heavyweight in charge of Latin America, had likewise visited Buenos Aires in early 1982. He was a strong advocate inside Mr. Haig's inner group of the need to keep on good terms with Argentina.

Though of course none of these actions or arguments had been designed to encourage any such military adventure, they had equally clearly lulled the Argentines in a vague way to count on support from the United States in the Western hemisphere. And by early 1982 the junta was giving direct help to the United States in Central America; it certainly thought Washington would regard continuation of that aid as a fair trade for remaining at least passive over the Falklands.

Yet the invasion was by any standard a clear case of seizing disputed territory by force, and the United States was bound to support, as it did, the resolution swiftly introduced by Britain at the Security Council calling for immediate Argentine withdrawal and negotiations (and, by its reference to the U.N. Charter, implicitly justifying a British military reaction as an act of self-defense under Article 51). In the end, it seemed clear to most observers that the United States would have to stand by Britain, both for the sake of principle and precedent and for the sake of its NATO tie and whole relationship with Britain. But the choice was bound to be an unpleasant one. Hoping against hope to avoid it, Mr. Haig immediately backed a mediating effort—and thrust himself forward as the mediator rather than Vice President Bush (who had been mentioned in the President's telephone call to Galtieri). In the process, Mr. Haig hoped to foreshadow, explain and justify in advance the eventual tilt to Britain's side—and thereby to enhance his negotiating credibility with the Argentines.

Always vulnerable on any fresh issue in the eyes of his President, Mr. Haig thus deliberately threw his reputation into an active mediation between Britain and Argentina—but without the full-hearted Administration backing that would be essential if the gamble were to succeed. The Argentine junta had excited itself into its Falklands invasion partly as a domestic distraction. But it was also sure of its moral ground against a post-colonial country which, it was equally sure, would not react militarily. The speedy passage of Security Council Resolution 502 was merely a diplomatic check. The Argentines still doubted Britain's will to retake the islands by force; and, if it had the will to try, its military capacity to succeed. The negotiating gap between a divided three-man junta and a British prime minister whose popularity thrived on the sense of national crisis thus widened rather than narrowed with time.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Mr. Henry Kissinger was among those reported to have advised Mr. Haig against undertaking a shuttle negotiation in such circumstances. Others giving similar advice included close associates of Mr. Haig in the government and in his own department. The Secretary of State courageously traveled regardless.

He knew that the odds were stacked against success—and an inexperienced, leaky shuttle team was to lengthen these odds. The President was dragged in his wake. To give anything less than formal presidential support, undermining the Secretary of State in mid-flight on one of his well-meant and slightly absurd shuttles between Buenos Aires, London and Washington, would have been to damage further the already battered credibility of American foreign policy abroad. And its popularity at home: on this issue, Mr. Haig had—at least until the blood appeared on Mrs. Thatcher's hands in May—a combination of Georgetown's and Main Street's sentimentalists and Atlanticists on his side against the realpolitikers anxious to keep in with a Latin continent and a helpful military regime.

That was all very well for Mr. Haig's chances of getting his way eventually in Washington but therein, also, lay Mr. Haig's weakness as a negotiator. The British knew that his play on their behalf in Washington was far from unanimously supported. Mrs. Thatcher could trust his aims, but not rely on him to deliver much that she wanted in any compromise determined in Washington. The British therefore paid at best lip service to each compromise he suggested.

As her popularity rose over the doubts of her subordinates, Mrs. Thatcher hardened her negotiating position with each day that her motley naval task-force sailed closer to action. The time when she might, just, have been ready to accept some reasonably safeguarded interim administration on the islands was during the first half of April; but this was precisely the time when the military junta in Buenos Aires least believed that Mrs. Thatcher was in military earnest and least expected the United States to help her if she did go to war.

It was during that early April period when Mr. Haig, having seen Mrs. Thatcher, was trying to persuade the Argentines she was indeed in earnest, that the junta was comforting itself in Buenos Aires with the correct belief that the Secretary of State they were dealing with by no means represented every strand of established opinion in Washington and New York. For most of that month, disbelief persisted in Argentina that America would tilt militarily to Britain even to the limited extent that it eventually did.

Mr. Haig therefore appeared in Buenos Aires as a man with, at

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

his back, powerful advocates of Argentina's cause—and, before him, a President whose ear he did not always command and who was clearly uneasy on this occasion with the whole idea of making any sort of choice between two allies. On this issue, the Defense Department was to support Mr. Haig manfully—but many others did not, some of them combining their dislike for Mr. Haig with their policy argument against offending either Argentina or, more vaguely, Latin America as a whole.

Might the outcome of Mr. Haig's negotiation have been different? It looked hopeless. But a unanimous, determined Washington, led by a President who personally told Argentina from the start where American sympathies would lie in the event of war, might have made the job of getting Argentina to comply with Resolution 502 easier—and minimized both Argentina's eventual humiliation and any wider damage in Latin America. But Mr. Haig could not command such a President nor boast such support, and everybody knew it even at a time when his job in Washington seemed pretty secure.

Putting aside the obvious differences in the issues—and the peoples—involved, it is not hard to see why the Haig shuttle in the Atlantic unarguably failed where the Kissinger (1973–74) and the Habib (later in 1982) ones in the Middle East arguably succeeded. Unlike either Mr. Kissinger or Ambassador Habib, Mr. Haig simply was not the bearer of a convincing presidential or Administration mandate. Indeed it was evident to both British and Argentines that Mr. Haig was having to use his usual forthright method of preempting those who would resist him rather than being able to boast that he was fully in charge.

The other lesson from the Middle East was that Mr. Haig's hand would have been stronger in this negotiation in the South Atlantic had the war, or the tilt to Britain, come first and never had to be questioned. Initially Mr. Haig could not be certain even which way his country would tilt in the event of war—whereas in 1973–74 it was America's full-blooded tilt to Israel, combined with backchannel feelers to the Arabs, which brought about peace. Hence, with each successive Haig visit or call the tone of his voice sounded less like a command, more like a plea.

The parties were simply too far apart, and at the end of April Mr. Haig withdrew from the lists and the Administration promptly announced its support of Britian—by then in line with the overwhelming weight of American opinion. There was a brief moment after the shuttles, using the Peruvians as intermediaries and General Walters in Buenos Aires, when Mr. Haig appeared to come mirac-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ulously close to success. But, once it came to fighting, America had spent its diplomatic capital. Its relationship with Britain was temporarily bruised, although insiders were well aware of the importance of American equipment supplies and other help, short of the commitment of any American forces. And in Latin America what would in any event have been an adverse reaction to the American tilt was doubtless accentuated by its abruptness and style—though in the end the outcome vindicated those, like Mr. Haig, who reckoned that fears of U.S. interests being permanently damaged in Latin America were overdone.

The fact remains that Mr. Haig neither prevented a war nor left America in a position to pick up the pieces after it. His frenetic awareness of his own struggle in Washington had equipped him with a weak, if valiant, hand to play.

VI

Perhaps wars have to be fought before future wars can be prevented: certainly if the Falklands War should never have happened, the war in Lebanon during the summer of 1982 was increasingly likely to happen as the year went on. Over the Middle East the "pragmatist" Mr. Haig was closer than many of his "ideologue" antagonists to Mr. Reagan's apparent campaign view that America must stand by Israel come what may. Mr. Weinberger, the President's counsellor for so long in California, was, by contrast, nearer to the Middle Eastern views of Mr. George Shultz that had been, it is said, the single matter of substance dissuading Mr. Reagan from offering the secretaryship of State to Mr. Shultz in November 1980. These views were not anti-Israel. They argued for persuading, or requiring, Israel to be restrained and flexible in return for American support.

Mr. Menachem Begin's Israel has been neither restrained nor flexible during Mr. Reagan's term. The President brought little pressure to bear on Israel in his early meetings with its prime minister, and every step that Mr. Begin took was, if not encouraged, eventually countenanced by the Secretary of State. Here was a part of the world that this U.S. President would frequently leave to a Secretary of State with whom he was having to argue too exhaustingly on too many other fronts.

Mr. Begin read the signals from Washington correctly. In the summer of 1981 Israel had bombed and crippled a French-built nuclear reactor nearing completion in Iraq and conducted air attacks on Palestinian enclaves on the outskirts of Beirut—and on

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

each occasion had been chided only gently by Washington, to the distress of Mr. Weinberger, who favored more severe signals of American displeasure. When the President did follow his Secretary of Defense's advice by endorsing a deal to supply air warning (AWACS) aircraft to Saudi Arabia, the project ran into severe difficulty in Congress just as Mr. Haig forecast that it would: intensive Israeli lobbying against the deal failed by a whisker and at the cost of a large expenditure of presidential political capital. With America on the defensive in its dealings with Israel, Begin annexed the Golan Heights in December 1981. All these—the two summer raids, the December annexation—were in a sense dress rehearsals for Israel's big push into Lebanon in the summer of 1982.

For the first four months of 1982 Mr. Haig could plead that America must at almost any cost keep coaxing Israel to fulfill its treaty commitment to hand Sinai back to Egypt at the end of April. Anwar Sadat, Egypt's signatory, was dead, his successor, Hosni Mubarak, an uncertain quantity: there, if Israel required it, would be the pretext to go back on its word. Mr. Haig travelled to the area in late January not merely to discuss the multilateral force that he was painstakingly assembling for Sinai but to "reinvigorate" the West Bank autonomy talks. A weaker reed than Mubarak would have quivered at this wonderfully ill-timed linkage: if its West Bank purpose "failed" it would discredit any Egyptian president, never mind a brand new one; if a West Bank "compromise" seemed likely, as a result of this visit at this time, it would equally damage Mr. Mubarak—who fortunately had the wit to say hello to Mr. Haig and do nothing. Israel was clearly encouraged: after a few weeks of unnerving brinkmanship, on April 21 the Israeli cabinet not only voted, unanimously, to withdraw from Sinai on time; it sent its armed forces in to bomb PLO-held villages in Lebanon.

By now the signals were manifold that Israel intended a much bigger clearing operation in southern Lebanon, for which, as spring became summer, it felt it had the nod from Mr. Haig in Washington. But the timing and scale of what then transpired went farther than expected.

On June 6, while Mr. Reagan, in the words of one European official, "s'endort doucement" at a summit session in the palace of Versailles, Israel launched its full-scale invasion. The next day Mr. Philip Habib was despatched to remonstrate and to start his long search for a cease-fire. By June 10, Syria's anti-aircraft missiles in the Bekaa Valley were reported destroyed and Beirut was under attack, to be cut off by Israeli land forces four days later.

Even in these first days the President was feeling an increasing

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

sense of deception and revulsion at Israel's actions in the Lebanon; here too he was moving apart from his Secretary of State, who had quickly come not only to accept but to favor the expulsion of the Palestine Liberation Organization from Lebanon and who, with his military background, likewise sympathized with the harsh tactics of Israel's Defense Minister, General Ariel Sharon. The President and others, however, thought that the expulsion should be achieved by diplomatic means and without the kind of humiliation of the PLO, and Arabs as a whole, that in their judgment would lead away from a renewed attempt to negotiate on the core Palestinian issues. Frictions on this point clearly contributed to Mr. Haig's departure on June 25, although the decisive factors appeared to be the pipeline affair and the growing number of minor frictions between the Secretary and the White House.

Thus, whereas Mr. Haig had clearly perceived the diplomatic opportunity that was being created by Israel's actions, it was to be Mr. Shultz, with his different perspective of America's role in the Arab-Israeli struggle, who was to extract this potential advantage for his President from the war that was preoccupying attention during July.

The new Secretary of State was unanimously confirmed in office on July 15. In the Senate hearings, Mr. Shultz's impression of rather firm, unpretentious calm combined with congressional concern not to rock the boat after all the uproar surrounding foreign policy during Mr. Haig's last weeks, to give the new Secretary a smooth run into his department.[3] Worries about his (and Mr. Weinberger's) former employment with Bechtel, the big civil contracting firm with large contracts in Saudi Arabia, Jordan and elsewhere, surfaced only to wither. Amid such turmoil in the world, and faced with a man of Shultz's integrity and Washington experi-

[3] If Washington reacted with realism to the change at State, reaction in Europe was almost comically tragic—especially in retrospect. The newspapers spoke for many. *Le Monde* in Paris saw Haig's disappearance as "a victory for the most conservative and most ideological elements at the heart of the Reagan Administration." Shultz would not necessarily be bad for East-West trade but, asked *Le Monde*, "is not this replacement, in mid-Lebanon crisis, of a nature to weaken America's capacity to impose mediation on the conflict that is bloodying the Near East?" The *Daily Telegraph* in London saw the change as a "Setback for Reagan." "For all his sound instincts Mr. Reagan needs a sophisticated expert on world affairs at his right hand. It is hard to see that he will now have one." The *Observer* of London, unlike the *Telegraph* not always a believer in Mr. Reagan's sound instincts, saw Mr. Haig as representing "about the most rational presence in the Reagan Administration . . . . The sight of yet another Californian wagon being wheeled into place around the White House stockade is not in itself reassuring." (A "Californian wagon": poor Shultz—born in New Jersey, educated at Princeton, most of his life passed teaching at M.I.T. and Chicago and serving in Washington, board member of General Motors and Morgan Guaranty, a classic Republican retread if ever there was one.) West Germany's *Handelsblatt* reported that the "reaction in Brussels and other European capitals is therefore clear: much more loudly than protocol would require is Haig's decision deplored." This widespread reaction in mid-1982 was to be almost universally disowned six months later.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ence, Congress could not afford a contest over the President's new Secretary of State.

The new Secretary's method of dealing with State Department business appears to differ from that of both his Republican predecessors, Mr. Haig and Mr. Kissinger. Mr. Shultz, it seems, brings issues to a head one by one, seriatim. Both to those working with the new Secretary and to those abroad negotiating with him, Mr. Shultz's internal calm appears to allow him to note all they tell him, to deal with any of it should events command, but meanwhile to set priorities that necessarily place other questions in cold storage.

Events in the Middle East, and Mr. Shultz's newness to the job, perhaps dictated this method. As luck had it, the Middle East was the area over which the new Secretary of State and the original Secretary of Defense were most likely to agree—which they were called on to do from the start. So the stage was well set by Washington standards: a President and his two principal Secretaries in rare accord.

Throughout July the outcry against the Israelis' repeated escalations of the battle round West Beirut drove Mr. Reagan further and further from them. Early in July, the United States had already agreed to pledge its troops to escort the fighters of the PLO from Beirut should they agree to go; a month later, on August 9, America's peace plan for West Beirut was formally presented to Israel to be followed, three days later, by the President's expression of "outrage" to Mr. Begin over his country's continuing bombing raids. By the third week in August, most of the PLO men were at last on their way out under the eye of the closely coordinated forces of France, Italy and the United States.

Behind all the fighting and language, and virtually from the day of the new Secretary's confirmation, Mr. Reagan and Mr. Shultz had been quietly preparing what was to emerge as the celebrated "Reagan plan." This was unveiled the moment the PLO was dispersed, at the start of September, to the fury of Israel and a cautious welcome by Jordan. Israel instantly defied Mr. Reagan's call for a moratorium on settlements on the West Bank by authorizing yet more. A week later the Arabs, meeting in Morocco, registered a more pro forma rejection of Mr. Reagan's plan for a federation of the West Bank with Jordan by calling again for a Palestinian state (which the Reagan plan excluded). Encouragingly, the Arabs did not rule out Mr. Reagan's efforts as a basis for negotiation, which Israel did.

The present dangers to Mr. Reagan's plan derive not from the way that—as usual in the Middle East—every party can object to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

one or another of its provisions, or from its timing, but from the traditional twin wreckers of peace in Palestine—hard-line Arabs who will not allow moderate negotiators to cut the ground from under the feet of hard-line Israelis; and hard-line Israelis who equally encourage the cause of the radical Arabs while removing any scarce leverage that the United States might have in the area. The Reagan plan faced each set of hard men with a real choice at a moment when neither, for opposite reasons, could avoid it altogether without compromising their cause.

The plan's life started, then, as well as could be expected, though by the end of 1982 precious time had gone by. The assassination of the newly elected Christian President Bashir Gemayel of Lebanon, and the ensuing Christian militia massacres of PLO civilians in two adjoining Beirut bidonvilles, Sabra and Shatila—apparently under the blind eye of Israeli troops—distracted world opinion, and alienated moderate Arabs, for several critical weeks. Fortunately King Hussein of Jordan and the PLO's Yasser Arafat held steady. In December they were still giving every sign of being ready to dare the extremists around them by entering into negotiations. By the time of King Hussein's visit to President Reagan during the last week before Christmas, the King's credibility as a potential negotiator for Palestinians was stretched but not yet altogether torn.

Time had slipped away by the end of 1982 not because of the King or Mr. Arafat but because Syria and Israel, antagonists locked in deep conflict that suited both of them, had manufactured a common interest in resisting negotiation of their differences (like the South Africans and the Cubans in southern Africa, foes with a mutual interest in stalemating peace). Israel entered the new year purportedly under pressure from all sides to accept the notion of a real negotiation with Jordan over the West Bank, but in reality refusing even to negotiate its army out of Lebanon until Lebanon took the first steps toward recognition of Israel. Mr. Begin by the end of 1982 was being left in no doubt about Mr. Reagan's furious—and by now very personal—displeasure with him: a displeasure which simultaneously made Mr. Shultz's position at State more tenable than it would ever have been in early 1981.

What Mr. Reagan and Mr. Shultz had given no sign of by end-1982 was whether they saw (1) that the personal displeasure of a formerly pro-Israeli U.S. President will not in itself budge a popular, implacable, settlement-building prime minister like Mr. Begin from his central gains on the West Bank (Israel had instead fixed bargaining not on the West Bank but on Israel's new front line far to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the north in Lebanon); (2) that more "pressure on Israel," that dreaded phrase, might be necessary (in a year, 1983, when the primary campaigns of 1984 are barely over the horizon); (3) that the moderate Arabs could not be sustained for long by a "plan," negotiation of which seemed never to begin (the biggest potential loser of another aborted moment of hope would once again be the man who was the loser after the celebrations of Mr. Kissinger's post-1973 shuttles: King Hussein). It is too early to say, in short, that the Shultz era is a success in the Middle East. It has, at least, started with promise.

VII

Only once the worst shocks of the Sabra and Shatila massacres were past did Mr. Shultz turn with any purpose to the pipeline dispute that had toppled his predecessor. He did not hurry, partly because his own time was preempted, partly because every message emanating from the White House rang loud that the sanctions on the Siberia-to-West-Europe pipeline were the President's own cause which Mr. Reagan was determined to "see through"—and mostly because Mr. Shultz believed that the existing sanctions, and the possibility of worse ones to come, would start to hurt European companies seeking contracts all over the world. The time for settlement would not be ripe, Mr. Shultz seemed to feel, until the commercial reality of sanctions cooled the European level of belligerence down a bit, and mid-term electoral and diplomatic reality (as well as pressures from a critical business community) began to cool off his President too.

This was an issue in which the new Secretary of State had a personal concern dating from before his succession in June. To bolster (or compensate for?) the Buckley mission, Mr. Haig had asked Mr. Shultz, a private citizen, to journey among the allies in the early spring of 1982 to sound out ideas on tightening up Alliance practice on East-West credits and trade. Failure on this wider issue, Mr. Shultz saw from that experience, was not merely what had caused the sanctions to be applied—it also lay behind the pipeline affair in the sense that more permissive European attitudes toward trading with Russia, and stop/go American ones, had led to the signing of the pipeline arrangement in the first place. A "process and structures" man, Mr. Shultz's dislike for what he had christened "light-switch diplomacy" was much commented on when Mr. Reagan sent him to Foggy Bottom. Clearly Mr. Shultz would be happy to see the Alliance-debilitating sanctions dropped in return for the allies tackling the wider subject of East-West trade.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Significantly even hard-liners at the Defense Department were ready to see such a trade-off, provided East-West trade was really tackled by the allies.

In the first weekend of October, Canada convened a meeting of NATO foreign ministers in Quebec. Here the method of future discussion of the pipeline sanctions and of the wider East-West trade issue was broached. It was to be conducted in strict parallel. At all costs the two vitally linked subjects must not be formally linked. For the Allies, particularly for France, it was essential that, America having acted unilaterally, extraterritorially and after the event, it should not be rewarded—at least formally—with a graceful way off its sanctions hook.

Nor, in the end, was it. In mid-November, after weeks of negotiation by Mr. Shultz, Mr. Reagan dropped the sanctions, linking his action, during a broadcast statement, to a moratorium on any further pipeline contracts pending completion of discussion of Europe's energy needs. East-West trade intentions and practice were to be clarified in various other forums.

In a chapter of accidents, absences and bloody-mindedness at the Elysée Palace, France denounced even this not very close linkage between the pipeline sanctions and the broader East-West trade discussion. By December, however, following meetings between Mr. Shultz and French Foreign Minister Claude Cheysson (with whom Mr. Shultz had established a good working relationship during the establishment of the tripartite force in Beirut), working groups were nevertheless meeting regularly on all the main headings of East-West trade, with French participation. No attention was being drawn to this (Helmut Kohl, West Germany's new federal chancellor, advised Mr. Shultz that one does well to flatter and concede to France in every word, while standing firm on every fact). It remains to be seen—perhaps at the Williamsburg economic summit in May 1983—whether anything will come of this exercise. A skeptical Defense Department and White House, among others, will watch with interest.

VIII

With the sanctions disposed of, having then switched attention in November to fence-mending in Latin America (which Mr. Reagan toured in early December), and keeping Middle Eastern contacts on the boil, Mr. Shultz turned in the dying weeks of 1982 to the two sets of nuclear arms negotiations in Geneva, and to the brooding, triple dangers of financial collapse, continued recession and protectionism. The end of 1982 saw all these issues flickering on

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the wall in Washington—all of them far from settled.

For its first year and a half, the Reagan Administration's foreign economic policy had consisted almost entirely of America (1) warding off European and other anger over the high interest consequences of its domestic policy (a posture which, incidentally, Mr. Shultz, as chairman of the President's outside group of blue-ribbon economic advisers, had fully supported); (2) discouraging budgetary aid for multilateral agencies; (3) stolidly refusing to take the old international paraphernalia of "negotiation," trade and monetary talks seriously: the market would adjust all. By the fall of 1982, however, so severe had the crisis of international debt become that it was hard for any Administration to ignore it.

The illiquidity of American and European banks was compounded both by the disappearance of economic growth and, paradoxically, by the success of wringing high inflation at least temporarily out of the system. If Mr. Shultz had not been inclined to sympathize with European and other complaints against high American interest rates, now, with or without his sympathy, interest rates were being encouraged downward by a relaxed monetary policy.

As a private citizen Mr. Shultz had however spoken out during the Reagan term in favor of boosting the role of multilateral lending institutions in Washington; here the previous Treasury prejudice against multilateral financial institutions was progressively dumped after Mexico's inability to meet its debt service in August. Faced with an obvious crisis, the Administration reacted quickly and smoothly to pull together the necessary very short-run emergency package. But, at the International Monetary Fund/World Bank meeting in Toronto in early September, it still held off on wider and more basic measures.

As winter approached and the scale of the Latin American debt problem became abundantly clear, the Administration at last shifted its position to back an increase in IMF resources, as well as to extend emergency help to Brazil during Mr. Reagan's visit in November. In a speech in Basle in December, Mr. Donald Regan, the Treasury Secretary, indicated that America saw the problem as much more than an immediate banking crisis, and talked of a "new Bretton Woods" arrangement.

How much this change in tone was due to Mr. Shultz matters less than whether it is, or will be, enough. Brazil ended the year deferring its early 1983 debt repayments in a preemptive bid to get Western banks to reschedule and finance its future debt obligations—and was followed in the first few days of the new year by Romania and Cuba. And as recession keeps bottoming along, the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Administration has found it harder than ever to hold the line against domestic protectionism. Much of this is directed at Japan, but it deeply affects others. If it continues, it will make both economic recovery and international debt repayments even harder to achieve. The ministerial meeting in November of the General Agreement on Tariffs and Trade had done little if anything to stem a global dribble of protectionism—no thanks to the European Community negotiators, but no thanks to the United States either.

At least the Administration now seems to have a highly competent and coordinated team approach to these problems which can be traced in part to the advent of a Secretary of State who knows economics. But with no clear prospect of economic recovery yet in sight, things may well get a lot worse before they show any signs of getting better.

IX

As for negotiations with the Soviet Union, the last two months of 1982 were dominated by early reactions to the change of power in Moscow. The death of Leonid Brezhnev on November 10 was speedily followed by the succession of Yuri Andropov as General Secretary of the Communist Party. President Reagan refused—against, it is said, his Secretary of State's advice—to attend the Brezhnev funeral. Helmut Schmidt's advice from the political grave—his coalition had been defeated on October 1—was that "even though Andropov represents no change, we should behave as though he does." This has not yet happened. But the Russians are at least now cocking an eye to the Nixonian "retread," Mr. Shultz, who did come to the Brezhnev funeral.

Andropov quickly put himself at the head of a renewed Soviet "peace" offensive in Europe. In December he tried to put the Reagan Administration on the spot by offering his own version of deep cuts in SS-20 missiles, to a level roughly equal to that of existing French and British nuclear systems, so that there would be no deployment of American cruise and Pershing II missiles by NATO.

No Administration could accept such an unequal deal, besides which both the British and French regard their weapons as defensive and strategic in character and not comparable to the Soviet SS-20. But the offer set the stage for a next act in the central foreign policy issue of this Reagan term, with the stakes now compounded, and choices made more immediate, by the political situation in the German Federal Republic.

The fall of Helmut Schmidt's coalition in Bonn had brought in a

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Christian Democrat for the first time in 13 years—a man whom it is in America's interest to keep in power. Mr. Helmut Kohl faces elections in early March 1983. If he can survive them—a big if—it would ease Mr. Shultz's nuclear negotiation considerably; for Mr. Kohl, unlike Mr. Shultz's old friend Mr. Schmidt, has a party behind him determined to deploy the American missiles on schedule in 1983 if the Geneva talks on theater nuclear forces (TNF) have reached no conclusion by then—a clear incentive for Russia to do business if it cannot first achieve Mr. Kohl's defeat in March. Conversely, his defeat by a combination of Germany's Left would boost Russia's ability both to resist a deal with Washington and still to prevent the deployment of modernized weapons on NATO's side.

On the one hand, any impression of American intransigence in the Geneva (TNF) negotiations could help destroy Mr. Kohl. On the other hand, any U.S. attempt to put forward a new position before March might run serious risks of having the election affected by detailed public exchanges of statements. With Mr. Reagan's popularity in decline by the turn of the year, and yet another of his early appointments—Mr. Eugene Rostow at the Arms Control Agency—having to be unscrambled, an air of un-Shultz-like uncertainty hung over the U.S. position in the Geneva negotiations.[4] By then a mounting attack on defense spending by budget cutters in and outside the Administration was further complicating any decision and sending unhelpful signals to Moscow. The foreign policy choices, however, remained clear.

How the Administration handles the issue both before and after March will be of critical importance for the defense of Europe. And, if the missile deployment were to founder, it would give impetus in Congress and public opinion to putting more, if not all, of America's Europe-related deterrent to sea, a long step toward the offshore and unilateral naval emphasis of many of the ideologues inside the Reagan Administration.

X

All these—problems half dealt with, others barely stirred—will be issues for 1983. And they may tell whether 1982, with the accession of George Shultz, was merely an improvement or whether it was President Reagan's watershed year. The landscape facing

[4] In the wake of Mr. Rostow's departure, it was revealed that Mr. Paul Nitze, America's TNF negotiator, had worked out with his Soviet counterpart in July a possible compromise formula, each apparently acting without authority. The formula was later rejected both by the White House and by Soviet leaders.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

President and Secretary is a changed one. It challenges any coherent, conservative Administration to broach issues with its allies in ways that backbiting in Washington did not formerly permit. There is a new man in the Kremlin; a new political situation in Bonn (though precisely what situation nobody can be quite sure at least until March, and possibly after then); Britain is, likewise, approaching an election season. These can seem discouraging conditions in which to try new initiatives. But new initiatives are not really what are required as yardsticks to measure Mr. Reagan's second Secretary of State by.

What challenges America, in this writer's view, is not this promising landscape overseas or that unpromising one: it is the challenge of formulating a policy line, a geopolitical and regional view of the world, which is then sought consistently and reliably by all the Administration at once; which may be criticized and tested from outside, but is not of right destroyed. It is bad enough that foreign policy should seem to swing sharply—almost to the point of starting from scratch—with each recent change of Administration; internal disunity, even on the changed policy line, makes the state of policy hopeless.

Mr. Shultz's first six months seemed to suggest two things: first, that he was better than any of his three predecessors at State at getting an Administration to work together; second, that, as illustrated by his December tour of European capitals, he could impress even the most inconsistent of European allies with America's sense of reality and a certain newfound, steely calm.

What had yet to emerge—two years into Mr. Reagan's term but only six months into Mr. Shultz's—was the Shultz content to go with the Shultz orderliness: the sense of strategy and foreign policy linkages that will need to be conveyed. What had also to be tested, incidentally, was the durability under strain of his relationship with Mr. Weinberger. Several times now in a decade and a half, both in Bechtel business and Republican government, Mr. Shultz has been parachuted in late to find himself working over Mr. Weinberger's head. The two men are not antagonists, as Mr. Weinberger and Mr. Haig were: but it would be surprising if their past relationship was entirely free of resentment.

Then there is the question of Mr. Shultz's relationship to the President. He is a man with a natural reverence, unlike Mr. Haig, for the American presidency. And he backed Mr. Reagan as his preferred President from the mid-1970s onwards. Mr. Shultz will always be the President's man—and this may not always make him

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the accommodating man the Europeans and others—now that they have swung away from their foolish skepticism when he was appointed—rely on him to be.

There is plenty that an easy Reaganite, admiring his President as Mr. Shultz evidently does, could do that would satisfy the dictates of Reaganism but fall short of creating a coordinated foreign policy. Mr. Reagan approaches a possible re-election campaign in 1984: it will be only too easy to go on indulging the "tougher with China" line that has sent China scampering away from too close a relationship with the United States. As 1984 approaches it will be easy—or, if not easy, then acceptable—to rest on the Reagan peace plan for the Middle East, or a disengagement in Lebanon, without pressing for Israeli decisions that will be necessary if moderate Arabs are to be given enough heart to do business on the core of the plan itself. It will be easy to wait on events in the Gulf (indeed it is hard to see what else there is to do bar pushing ahead with the creation of the Rapid Deployment Force). It will be easy to hang tough with Russia, or per contra to indulge in a vote-winning summit, without pursuing the implacable policy of bargaining down the middle from strength that is so difficult to explain to America's Right and Left alike.

Above all, it will be easy to turn a Europe more ambivalent than it has ever been about détente and containment into a populist prey for the American electorate and for subsequent policymaking: a prey because of Europe's increasingly protectionist trading policies, and because of its nascent inability (compounded by Washington's discord) to explain to itself the need for nuclear defense. Mr. Shultz is a patient man, but he also feels, and can exhibit, his President's impatience with Europe's old habit of eating its cake of American dependence while enjoying the crumbs of détente left on the negotiating table by Russia.

In the end it will be the President who decides, the Secretary who persuades—provided he wishes to. What has yet to be formulated is what policy trade-offs to persuade this President to accept, within the consistent, if fundamental, framework of reactions that he already has. That there exists in Washington a Secretary of State who has shown that it can be done seriatim, if not yet as a whole, is only a welcome start.

There has not yet been time, after all, for a whole policy. A year hence neither Mr. Reagan's Secretary of State, nor Mr. Reagan himself, will be able to plead that.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Samuel Brittan

A VERY PAINFUL WORLD ADJUSTMENT

> The financial position is almost irretrievable: the country has lost its way. In the worst of the war I could always see how to do it. Today's problems are elusive and intangible, and it would be a bold man who could look forward to certain success.
>
> —Winston Churchill, on returning as Prime Minister in 1951.[1]

Substitute "the Western world" or even "the whole world" for "the country" that "has lost its way" and Mr. Churchill's words would be equally applicable to the events of 1982. The strains which developed were neither foreseen nor particularly illuminated by any school of economic thought. Above all there was a lack of both the political and the economic leadership to find a constructive compromise—which would not have been just splitting the difference—between sheer immobilism and a return to the inflationary finance of the 1960s and early 1970s.

None of the world's economic problems began in 1982. The golden age of Western economic growth came to an end with the first oil price explosion in 1973. It was from then onward that growth rates slowed down, and unemployment and inflation both rose; and in many countries political instability increased as well. In some countries there seemed to be a swing to the Left; in others to the Right. The only common feature was a swing against the government which had the misfortune to be in power. The defeat in Britain of James Callaghan's Labour government in 1979 after a strike-ridden winter, of President Giscard d'Estaing's moderate conservative government in 1981, and of Chancellor Helmut Schmidt's Social Democrat-led coalition in 1982 were all clearly attributable to economic discontent. The economic situation was also important in the defeat in 1980 of President Jimmy Carter—the first President since World War I to be defeated after his party had had only one term in office.

These trends revealed themselves in the course of two economic cycles. The first consisted of a sharp downswing from 1973 to 1975 and an upswing from 1975 to 1979. The second cycle began with another recession which was triggered off by the second oil price explosion in 1979, following the deposition of the Shah of Iran. At

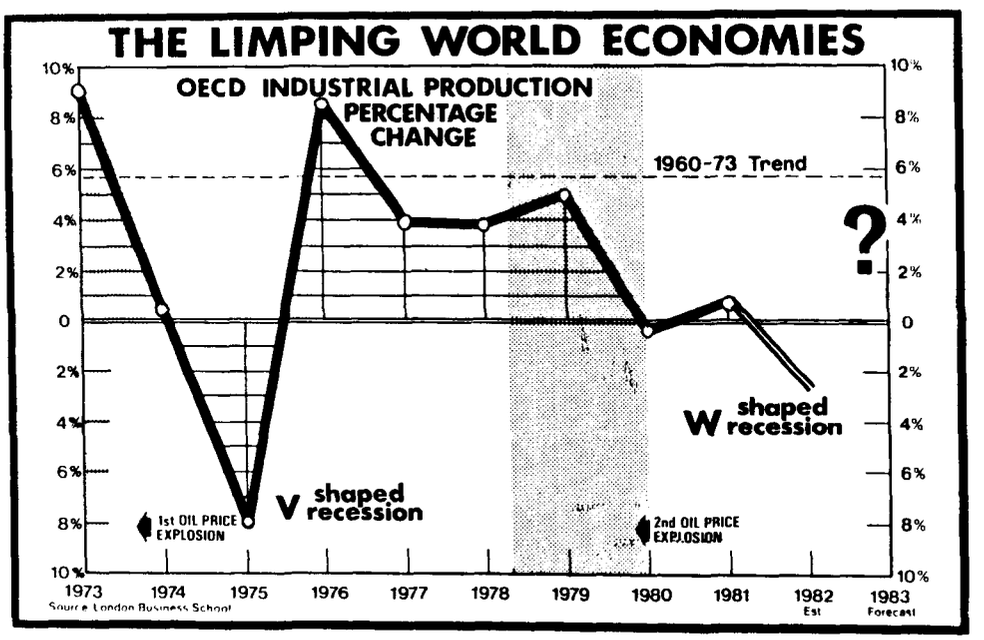
[1] Cited in the *Memoirs of Lord Chandos*, London: The Bodley Head, 1962.

Samuel Brittan is Assistant Editor of the *Financial Times* of London. He is the author of *Capitalism and the Permissive Society*, *How to End the Monetarist Controversy*, and other works.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the beginning the second oil-induced recession looked very similar to the first. It seemed, if anything, that the world might get off more lightly. The recession seemed to be shallower. Inflation rose less and subsided more quickly and most oil-importing developed countries adjusted their balance of payments more quickly.

The peculiar frustration of 1982 was that it showed these better tidings to be wrong or at least premature. The first oil-induced recession was V-shaped: a steep plunge followed by a quick recovery—admittedly to a lower growth path than before. The second turned out to be at best W-shaped. A hardly perceptible recovery in 1981 soon petered out and was followed by a second unexpected phase of recession in 1982. One could not rule out the possibility of further dips and false starts before a sustained recovery path emerged.



The recession that dominated 1982 had the following specific features: First, inflation subsided much more quickly than expected.

TABLE I

THE INFLATION SHAKEOUT

Annual Increase in Consumer Prices (Percent)

Country	*1960–67*	*1967–73*	*1973–80*	*1980*	*1981*	*1982*[1]
United States	1.8	4.5	7.9	13.5	10.4	4.6
Main seven OECD countries[2]	2.5	4.9	9.2	12.2	10.0	5.9

[1] 12 months to November.

[2] United States, Japan, Germany, France, United Kingdom, Italy, Canada.

SOURCE: OECD.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Second, nominal interest rates (i.e., interest rates as normally published) were slow to adjust. As a result *real* interest rates (i.e., the excess of the interest rate over the rate of inflation) rose to record heights. This was in sharp contrast to their behavior in the first oil-induced recession, when they were negative. Short-term real interest rates averaged about six percent for much of 1982 for the United States, and about four to five percent for the other main developed countries, according to estimates by the Organization for Economic Cooperation and Development (OECD).[2]

Third, the world's main currencies were far out of line with anything that could be expected on the basis of costs, prices or previous historical trends. On any such basis, the dollar and sterling seemed extraordinarily high, the D mark and yen excessively weak. The dollar described a great seesaw against the mark, falling from a value of DM 2.6 in 1976 to a low of near DM 1.7 in 1979, only to rise to a peak of nearly DM 2.6 in early November 1982. Despite a world-beating Japanese success in fighting inflation (which was down to three percent in 1982) and a strongly competitive trade performance, the yen weakened against the dollar from Y203 at the end of 1980 to Y220 at the end of 1981 and to a low point of Y270 by mid-November 1982, before starting to rise again.

Even more eloquent evidence of disharmonies was provided by the Morgan Guaranty index of "real" exchange rates (i.e., exchange rates adjusted for international differences in inflation rates).[3] These showed a 25 to 30 percent real appreciation of the dollar and sterling in the four years to autumn 1982, and a scarcely credible real *depreciation* of the yen in excess of 30 percent. The German real exchange rate had in contrast remained quite stable, its gyrations against the dollar being cancelled out by those against other currencies; but German policymakers remained sensitive to the mark's rate against the dollar in view of dollar invoicing of oil and raw material imports.

The combination of prolonged recession and high real interest rates in the United States was in large part responsible for the currency distortions and the squeeze they exerted on real economic activity. The 1982 overvaluation of the dollar will have proved self-

[2] Long-term real interest rates were also estimated at similar levels; but the calculations here are suspect. To derive them one would need to know the views among the borrowers and lenders about the path of inflation rates for many years ahead. One piece of direct evidence widely ignored was the yield on U.K. government-indexed bonds which fluctuated around 2.2 to 3 percent. Unfortunately, these lower real long-term rates had little practical effect. For nearly all corporate and many country loans were either on a short-term or variable-rate basis.

[3] The inflation differences which matter for international trade are not the difference in domestic consumer prices indices, but in the prices of products which enter into international trade. Morgan Guaranty uses the index of wholesale prices of non-food manufacturers as the best approximation for this purpose.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

correcting if forecasts such as the OECD's are right and the U.S. current balance of payments deteriorates from a surplus of $6 billion per annum in the first half of 1981 to a deficit of $45 billion by early 1984.[4] In the last two months of 1982, these currency distortions seemed to be unwinding. The dollar had fallen to just above Y230 and just below DM 2.4 by year end. But the turnaround came too late, and it had not gone far enough to affect the atmosphere at the Ministerial Meeting of the GATT in late November.

Fourth, although it is normal for non-oil commodity prices to fall in a recession, they fell particularly severely in 1981–82. Relative to the price of manufactures and fuel, the prices of non-oil primary products reached their lowest level since the mid-1960s.[5]

In the case of oil the impact of lower demand was felt more in terms of lower production than in depressed prices. Among the members of the Organization of Petroleum Exporting Countries, production fell from a peak of over 30 million barrels per day in 1979 to an estimated 19 million in 1982. To the surprise of many observers the Saudi reference price of $34 per barrel was maintained, although there was considerable fraying at the edges in the form of unpublished discount and special deals, and it looked as if the Saudis might have to concede a cut in the New Year. There were also many complaints that OPEC countries had exceeded agreed production quotas.

To the extent that effective oil prices have weakened, it is unequivocally a benefit for the non-OPEC world, including the great majority of developing countries. Just as rocketing oil prices in 1973 and 1979 triggered off two bad bouts of world "stagflation," any weakness in the oil price should speed economic recovery (even if not so quickly or to the same extent as the reverse impact of the earlier rise). The grumbles of bankers about the effect of weaker oil prices on one or two oil-producing countries, such as Mexico or Nigeria, should not blind us to the benefits they bring to far more countries with a far greater tendency than the average oil producer to spend marginal income (and thus help the world climb out of recession).

Fifth, needless to say, protectionist pressures continued to grow in 1982. Each government tended to think that other governments were taking unfair advantage; and, because of high and rising unemployment, sensitivity to Japanese and low-cost Third World

[4] *OECD Economic Outlook*, Paris, December 1982. OECD forecasts are based on the technical assumption of unchanged exchange rates. The actual U.S. current deficit could turn out less if the dollar falls and trade flows respond reasonably quickly.

[5] *International Trade, 1981–82*, Geneva: GATT, 1982.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

competition became intense. Indeed, the world was fortunate that protectionism remained backdoor and selective.

It was, however, also creeping. For instance the United States signed in March a voluntary agreement with Japan restricting auto imports to 1.68 million units. The rate of creep was quite high, and 1982 was dominated by trade squabbles. The headline instance was the U.S. dispute with the European Economic Community (EEC) over the export of subsidized steel to the American market. This was eventually patched over, not by any reduction of European subsidies, but by voluntary export quotas announced by the EEC in August offering a ten percent reduction in shipments to the United States over the next three years—thus superimposing one market distortion on another.

Another dispute, which took up much time at the White House and State Department, was with European countries over the sale of equipment for the Soviet gas pipeline, which the Versailles Summit of June 1982 failed to resolve. Although the dispute was partly based on different political perceptions of the Soviet threat, its intensity reflected the desperation of European governments to obtain export orders at all costs; and the dispute was eventually settled in November 1982 by a retreat on the part of the United States, which ended sanctions against European companies involved in the pipeline in return for vague words about the study of the strategic implications of East-West trade. Neither the continued clampdown in Poland nor talk of putting economic pressure on the Soviet bloc prevented the Reagan Administration from extending for another year its grain sales agreement with the Soviet Union.[6]

Fortunately, some policymakers and their advisers were at least dimly aware that the U.S. Smoot-Hawley tariffs of May 1930, which raised U.S. duties to a record high, were followed within a few months by retaliatory tariffs elsewhere, quantitative restrictions in 26 countries by the end of 1931, and the U.K. switch to Imperial Preference early in 1932. Although the precise interconnections remain a matter of academic debate, this trade war, together with the banking crises, was among the events which turned the world recession of 1929–30 into the Great Depression of 1931–34.

It was the desire to avoid open trade war which averted a

[6] The same governments that were so anxious to obtain export contracts from the Eastern bloc and to sell arms to Latin American dictatorships, such as that of the Argentine, hesitated to expand *domestic* demand for fear of inflationary consequences; but no one explained why an order which came from abroad or as a substitute for imports was any less inflationary than a home market equivalent. The combination of so-called "sound money" plus make-work policies which gripped European policymakers was every bit as half-baked as the earlier types of Keynesian demand stimulation.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

breakdown at the Ministerial Meeting of the General Agreement on Trade and Tariffs (GATT) in Geneva on November 24–29. This was the first Ministerial Meeting since the 1973 meeting at Tokyo, which had launched the last round of multilateral cuts in tariffs and trade restrictions. This time the atmosphere was much less favorable thanks to "a mixture of French pettiness, American aggressiveness and Japanese passivity," as *The Economist* felicitously put it.[7] Proposals for a standstill on further trade barriers were shelved in favor of a much weaker undertaking "to resist" protectionist pressures. The two issues on which the meeting came closest to breakdown were the U.S. demands (a) to restrict agricultural protection (particularly subsidized EEC food exports), and (b) to bring trade in services into GATT. The 40 senators and congressmen who accompanied U.S. Trade Representative William Brock added to the heat by their threats of an agricultural trade war.

After a two-day extension of the meeting, ministers emerged with face-saving agreements to "study" all measures affecting agricultural trade, including subsidies, and trading in services (such as banking, insurance and shipping). There are also to be studies on safeguard measures taken to protect industries suffering from import surges. The object is to make the degree of protection more transparent and therefore more easily subject to international negotiations. The parties also agreed in principle to ban sanctions for non-economic reasons and not to block GATT rulings going against them. But there was considerable skepticism about the effectiveness of either of these last two undertakings.

The main consolation was that trade relations did not deteriorate further. One estimate suggests that the proportion of "managed" world trade—i.e., the proportion subject to non-tariff control, such as quotas, OPEC production ceilings, etc.—has risen from 40 percent in 1974 to 48 percent in 1980. Nevertheless, GATT's chief economist, Jan Tumlir, stated after the meeting that he did not expect a trade war, particularly between the United States and the EEC, if only because of the fear of the carnage which would ensue.[8]

Steps to defuse U.S.-EEC relations were taken by Secretary of State George Shultz (rapidly emerging as a main force in financial and trade, as well as foreign, policy) on a visit to Brussels on December 10 when he withdrew the threat of an agricultural trade war. No similar relief occurred in the field of trade with Japan—an issue not fully aired at the GATT meeting. EEC foreign ministers

[7] *The Economist*, December 2, 1982.
[8] *Time*, December 20, 1982.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

agreed in December to make a complaint against alleged Japanese non-tariff barriers under Article 23(2) of GATT. Taking the dispute to GATT was a step in the right direction. Unfortunately, irrespective of the GATT findings, European governments were expected to maintain pressure on the Japanese for "voluntary" export restraints on a very great number of products, ranging from fork-lift trucks to video recorders, on an EEC "surveillance list."

Sixth, there emerged during 1982 an international banking crisis, as a product or symptom of the other problems mentioned. Many of the projects which bankers had queued up to finance in the 1973–81 period were inherently questionable—as such projects always will be when easy money is available and few questions are asked. But slump, high interest rates and low commodity prices, plus protectionism in Western markets, caused many Third World and Soviet bloc nations (above all, but not only, Poland) to have the greatest difficulty in servicing their debts, quite apart from any errors of overborrowing on their part.

Seventh and finally, during 1982 the impact, actual and perceived, of high American interest rates, especially their repercussions on exchange rates, increased the feeling of dependence on the United States in the rest of the non-communist world. It was felt that only the United States could lead the world to lower interest rates, either by reducing its prospective budget deficits or by monetary relaxation on the part of the Federal Reserve. After two decades of talk of the relative decline in U.S. influence on the world economy, commentators in one country after another vied with each other in emphasizing the dependence of world recovery on U.S. fiscal and monetary policy. In the words of a distinguished former president of the Bundesbank, Dr. Otmar Emminger, "It was a return to the *Pax Americana*, at least in the monetary field."

Thus the rest of the non-communist world was looking to the United States for a lead out of the second severe recession to have hit the world since the 1973 oil price shock—and one marked by high real interest rates, currency distortions, trade tensions and an international banking crisis which received more and more attention as 1982 unfolded. Indeed fears about the financial system almost certainly depressed business sentiment in 1982 and aggravated the world recession, which in turn aggravated Third World payments problems in a mutually reinforcing way.

II

The seriousness of the banking crisis was brought home to nonspecialists by four major shocks. On May 17, 1982, the small

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

New York firm of Drysdale Government Securities became insolvent and Chase Manhattan, to whom it owed money, showed a loss in the second quarter of the year. Then, the Italian Banco Ambrosiano went down, with its affairs in an impenetrable tangle and unpaid debts owed by its foreign subsidiaries. On July 5, a very small Oklahoma City bank, Penn Square, was closed by the U.S. Comptroller of the Currency. It had raised considerable sums for oil and gas projects from larger banks and this time a main victim was Chicago's Continental Illinois Bank.

The fourth and biggest shock came on Friday, August 13, when Mexico announced that it was no longer able to service $80 billion of foreign debts. In the next few weeks a rescheduling agreement was patched up with central and commercial banks, and a Letter of Intent was agreed to with the International Monetary Fund by the end of the year. The rescheduling of Mexican undertakings was still queried by some of the banks, but Mexico's trump card was that a failure to settle would be as painful for the United States as for itself. If Mexico defaulted, 70 percent of the common equity of two of the largest U.S. banks would have vanished overnight.

Toward the end of 1982 an IMF Letter of Intent was also agreed with Argentina, and negotiations were in train to reschedule Brazil's debts (which amount to nearly $90 billion). The mere fact that Brazil, which had been one of the most successful of the developing countries, should have this rescheduling problem and should be cutting back on its planned 1983 borrowing was symptomatic of the world financial squeeze.

The problems extended well beyond country (or "sovereign") lending. Many bank loans were to corporate borrowers who themselves were having difficulty staying in business; and the quality of the loans was therefore in doubt. Like many symptoms of the bank debt problem, this one was liable, if neglected or mishandled, to aggravate the disease and turn recession into depression.

The chairman of the (British) Lloyds Bank, Sir Jeremy Morse, remarked in the autumn of 1982 that there was a five percent probability of a financial collapse; the percentage risk should probably have been doubled. Unfortunately there was a much higher chance of difficulties and fears, short of collapse, depressing world output and trade.

When it comes to diagnosis of the 1982 financial crisis and prescription for the future, a distinction should be drawn between (a) the threat to the world's banking system and (b) the threat to world economic activity and the flow of world trade. They interact, but need to be analyzed separately.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The *direct banking danger* comes from the external loans made by the world's chief banks. Outstanding medium-term bank credit to the non-OPEC developing countries rose from $43 billion at the end of 1975 to an estimated $182 billion at the end of 1982. There are no comprehensive figures for short-term credit, but OECD estimates put the end-1982 total at $121 billion (mostly, but not entirely, emanating from banks), giving a grand total of around $300 billion. Four countries—Mexico, Brazil, Argentina and South Korea—accounted, on OECD estimates, for 50 percent of all short-term debts.

TABLE II

TOTAL DISBURSED DEBT OF NON-OPEC DEVELOPING COUNTRIES

	End-1982 $ billions
Medium Term *(One year and over)*	
Bank Loans	182
Export Credit	105
Banks and other Private Lending	46
Official Development Assistance	55
Multilateral Organizations	70
Others	62
Total Medium Term	520
Short Term *(Less than one year, OECD estimate)*	121
Total Debt	641

SOURCE: *External Debt of Developing Countries*, OECD, Paris, December 1982, Tables 3 and 7.

At the same time as bank assets became more risky, the equity-to-assets ratio (that is, the portion of assets not corresponding to deposit or fixed-interest liabilities and therefore available to shareholders) of the U.S. banks in the main American financial centers fell.

There are particular reasons why, in sovereign or country lending, there is a divergence between the self-interest of an individual bank and that of the banking system as a whole. In much domestic lending one bank—or at most a very few banks—is dealing with one establishment. But with internationally syndicated country loans, each individual bank provides only a small proportion of the country's total borrowing.

Each additional loan to a vulnerable country increases the degree of risk not merely to the particular lending bank, but to all bank lending to that country; however, it is only the former that will be taken into account. The costs imposed on others are what economists term an "externality." A good analogy is with the congestion

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

costs imposed by each additional vehicle in an urban center, not merely on itself but on other vehicles. In each case there is an adverse externality, i.e., the imposition of costs which the responsible agent does not bear himself.

There is a second source of divergence between the individual and collective interest. This is the information problem. Information about a debtor's position is a *public good.* Each bank has an interest in being a "free rider" on the investigations of others.

The externality and public good aspects together provide a case for some umbrella organization, whether the IMF or the institute established by 35 international banks belonging to the Ditchley Group formed in 1982, to provide information and concert strategy toward particular countries.

But precautionary action was left until very late. The banking danger arose from the possible effect on the banking system of the default of one or more major borrowers, combined with domestic bankruptcies during a bad phase of the economic cycle.

One urgent question was whether "lender of last resort facilities," which were supposed to exist for domestic banking, existed and were adequate in the international field. In particular, were there plans to meet not merely a *liquidity* crisis, but a *solvency* crisis when the amount of bad debt would exceed the equity capital of a bank?

The last statement on "the problem of the lender of last resort in the Euro-markets" was made by the Bank for International Settlements in September 1974 when the assembled governors pronounced that "it would not be practical to lay down in advance detailed rules and procedures." But they were satisfied that means were available for the purpose "and will be used if and when necessary."

It is on grounds of moral hazard—the fear that they might encourage imprudent bank lending—that central banks have justified vagueness about their lender of last resort obligations on an international scale. But this is not credible. The imprudent lending has *already* taken place. Moreover, the same arguments could be used against domestic "lender of last resort" facilities.

A more convincing reason for reticence was that central banks had been slow to make adequate contingency plans for stemming or offsetting any major failure in international banking. Until well into 1982 the main publicly disclosed efforts had gone into only partially successful efforts to bring regulatory practice in different countries together.

According to the Basle Concordat of 1975, each central bank was responsible for regulating the activities, home and overseas, of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

banks with headquarters in its own country. By extension, it was also supposed to be morally responsible for lender of last resort operations, although this was never formally stated. But the problem of consortium banks or partially owned subsidiaries was left unresolved. So, too, was the question of what was to count as a bank.

Both these problems were exemplified on a small scale by the crash of the Italian Banco Ambrosiano, whose affairs were revealed to the world when its chairman, Roberto Calvi, was found hanging from scaffolding under Blackfriars Bridge in London on June 18, 1982. The Bank of Italy set up a pool of seven banks to provide liquidity to meet the demands of creditors and depositors of the Banco Ambrosiano, which was declared insolvent by a Milan court on August 26. But the Italian central bank did not accept responsibility for debts worth over $400 million of the 69 percent-owned subsidiary Banco Ambrosiano Holdings of Luxembourg. The Bank of Italy argued that it had no legal responsibility, whatever might have been said on the moral side. It must be added that the Bank of Italy's morale had been severely weakened, when in 1979 its own directors were charged with a series of offenses—subsequently withdrawn and generally believed to have no substance. These charges were widely regarded as a "punishment" for an earlier and highly critical report that it had made on Ambrosiano.

But although these events humanized the problems of bank supervision and brought in an altogether new class of reader about them, the biggest problem facing lender of last resort operations was of a different kind. This was that a central bank may run out of foreign exchange reserves if there is a run on deposits of banks for which it is responsible and which are denominated in an external currency. It could still act as a lender of last resort, but only by activating a swap network with the central banks whose currencies were being demanded by depositors. Here was a further reason for clarifying lender of last resort arrangements—even if it were better not to reveal the size of swap lines lest they be thought insufficient in a really big crisis, when larger sums could probably be arranged on the telephone.[9]

[9] A deeper thought came to mind during the alarms of 1982. Was it reasonable that cash balances for household transactions or domestic business should be put at risk because of problems that arose in lending surpluses to Third World industrializing countries? There was an old proposal that the provision of balances for monetary transactions should be strictly separated from borrowing and lending operators. Under this concept, known as "100 percent money," banks would be required to have liquid reserves sufficient to repay *all* their deposit liabilities at sight if requested; and they would be remunerated by service charges. The difficulty with this idea is that the *interest-paying* liabilities of other investment institutions might tend to circulate as money in preference to the *interest-charging* obligations of the reformed banks. But the possible recurrence of demands for "100 percent money" deserves at least a footnote.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

III

The threat to world trade and activity can occur without any banking collapse. Indeed it can be precipitated by the attempts of bankers to maintain solvency by cutting down on new lending to the Third World, either because they are worried about exposure or because they want to rebuild their own equity. Similarly, contractionary forces can come from Third World and other debtors either if they lose their borrowing power or if they try to satisfy the IMF and other lenders by adopting policies of domestic retrenchment.

The statements made by Western finance ministers and central bankers at the IMF meeting in Toronto in September 1982 in response to such fears might have been calculated to induce neurosis in a Pavlovian dog. Central bankers were lectured on prudence—and they were also told not to be too prudent for the sake of world activity. But in a speech on November 16, Paul Volcker, Chairman of the Federal Reserve, resolved the dilemma on the expansionist side by saying that where loans facilitated "the adjustment process," such "new credits should not be subject to supervisory criticism."

The moves to enlarge Fund quotas and set up a standby borrowing arrangement for the IMF (the latter proposed by the United States at the annual IMF meeting in Toronto in October) were a step forward. The broad lines of IMF enlargement were agreed at a meeting on December 9–10 at Kronberg, near Frankfurt, of finance ministers and central bankers of the Group of Five (the United States, Germany, Japan, France and the U.K.). The Kronberg meeting paved the way for an eventual increase of IMF quotas from the present $67 billion to around $100 billion,[10] and an increase from the present $10 billion to around $20 billion in the existing General Arrangements to Borrow (GAB) which is to be expanded into an emergency fund on the lines first proposed by the United States at Toronto.

A third element, which would complete the package and do more than anything else to promote international confidence, would be for the IMF to announce that it intended to borrow from private capital markets at least until the quota increase could become effective, which would not be until mid-1984 at the earliest. Such borrowing was proposed by Dr. Emminger after a meeting in December of the "Group of 30" central and commercial bankers and economists, formed two years before to monitor the world

[10] The range under discussion for the revised quota total was $93 billion to $110 billion. See Secretary Regan's testimony before the House Banking Committee, December 22, 1982.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

scene on an informal but authoritative basis. So far however (up to January 1983) the suggestion has still to receive official endorsement.

A much more difficult task than IMF enlargement is to determine the criteria for the distress lending it undertakes. This is especially important as an agreement with the IMF has been regarded as a seal of good housekeeping and helps to restore the creditworthiness of the borrowing country in the international capital market. The normal IMF country-by-country approach is outmoded at a time when a particular country's problems may well reflect a world slump rather than its own imprudence.

Lending as such is neither good nor bad. Ideally the Fund should take a view of the rate of world savings which would prevail at a sustainable level of world activity, and of the appropriate investment across frontiers corresponding to it, before deciding on an appropriate total of official finance. But this is likely to turn out to be extremely difficult to practice. A simpler (but still difficult) approach would be to determine a global stance on lending on the basis of whether the total level of world expenditure on goods and services in money terms is rising so quickly as to pose inflationary dangers, or whether, on the contrary, the main danger is that it may fall (or rise inadequately), thus posing a recessionary threat. If world demand is deficient, the main remedy should most definitely not be to encourage unwise spending by, say, Mexico or Argentina, but to relax monetary and fiscal policy in the major world economies. If the IMF "seal of good housekeeping" is given too readily to help out panic-stricken Western creditors, it will become devalued and less capable of attracting private lenders into problem countries.

The emphasis in Western financial policy—such as it was—in 1982 was neither on lender of last resort operations nor on the global management of monetary demand, but on case-by-case patching-up operations to "reschedule" the debt of countries unable to pay. It would be a brave man who would condemn these operations in the fragile state of the world's financial markets. But the approach puts excessive economic power in the hands of potential defaulters.

A country which declared default would indeed risk cutting itself off not merely from world financial markets, as normally understood, but from export credits and a whole network of financial services such as banks and insurance on which modern commerce depends. (Even communications, shipping and telephones are often dependent on bank finance.) On the other hand, borrowing countries can go a long way in *threatening* default because they know that Western governments and banks are terrified of the potential

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

consequences to the world financial system of the threats being carried out. Thus there is a large element of crying "chicken" on both sides. A more systematic approach to rescue operations, with clear-cut guidelines and publicized fallback plans to support the non-communist world banking system in the event of a major default, would give the West more bargaining power in dealing with threats made by fanatical regimes of all kinds.

It was not a very good advertisement for Western capitalism that the decision on whether to reschedule both banking and official debts to General Jaruzelski's Poland could not be made on broad foreign policy considerations, but was guided by fears of the consequences to the Western financial system of a Polish financial collapse. To take another instance: it was far from certain that a complete financial clampdown on Argentina would have persuaded the Buenos Aires government to negotiate a peaceful withdrawal from the Falklands. But the fact that this was never even put to the test, and a thousand people were killed in a conflict, is a shaming instance of what happens when Western countries cannot afford a financial showdown with petty dictators of the Right or Left.

IV

The banking and international indebtedness problems were symptoms of underlying problems. The most obvious arose from the pains involved in expelling an inflationary psychology.

The costs of reducing inflation are in principle fairly straightforward. There is no reason to suppose that there is any *long-term* choice between inflation and unemployment. Output and employment will be no lower—they could easily be higher—at a low rather than at a high inflation rate. But the process of reducing inflation is an extremely painful one, nearly always involving a transitional recession.

Different kinds of prices react with very different speeds to demand restraint. Primary-product prices react most quickly and have to take much of the strain. Wages are slowest to react. Final products and services are somewhere in between. They are more sensitive than wages to recessionary pressures—and therefore profit margins are inevitably squeezed—but they are not as sensitive as primary products. Thus it is not surprising that Third World countries have had debt servicing difficulties.

Two severe price shocks, followed by two tight money periods intended to squeeze out inflationary expectations, were bound to take their toll. Unfortunately, transitional unemployment, if too severe or too prolonged, can have long-lasting effects. For instance

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

it can lead to the scrapping of capital equipment and the atrophy of human skills and work attitudes. Thus high actual rates of unemployment breed high equilibrium rates. In other words, the economy will operate at a higher "normal" level of unemployment even when it is well into a recovery phase.[11]

What went wrong with monetarist remedies? There is nothing wrong with the contention that inflation and deflation are monetary phenomena. A student has to be very clever *not* to relate sixteenth-century European inflation to the influx of New World gold, or the German post-World War I hyperinflation to the multiplication of Reichsmarks. Similarly, he has to be very clever *not* to relate the depth of the 1930s depression to the destruction of the U.S. money supply. There may be more fundamental causes of these events, but the monetary changes were the proximate cause and were both necessary and sufficient for them to take place.

The mistake made by the technical monetarists has been in passing from the observation that inflation and deflation are monetary in nature to supposing that it is easy to measure the effective quantity of money or to control its growth in a non-inflationary way. During the two-and-a-half centuries of broad price stability England enjoyed, from the reign of Charles II to World War I, there was no conscious attempt to regulate the money supply; it was automatically checked by its link with gold. In none of the periods covered by Milton Friedman's *Monetary History of the United States 1867–1960*,[12] was there a conscious money supply policy. The Federal Reserve, established in 1913, acted to maintain the gold value of the dollar by raising interest rates when there was threat of a gold drain.

Thus, the main finding of technical monetarism—the stability of the demand for money in relation to total income—applied to periods when no one was consciously controlling its amount. In such a situation it did not matter what the exact definition of money was. Different definitions simply yielded different long-term changes in velocity (the rapidity with which money changes hands during a given period of time); and thus, slightly different numbers came up for the long-term growth of money supply consistent with stable prices.

All this was bound to change once central banks established monetary targets, as the Fed began to do in the 1970s. "Goodhart's Law" states that any monetary target becomes distorted once it is

[11] The impact of short-term or cyclical forces on the longer-term equilibrium is sometimes known as hysteresis, based on an analogy from the physics of electromagnetic fields.

[12] Milton Friedman and Anna Jacobson Schwartz, *Monetary History of the United States 1867–1960*, Princeton: Princeton University Press, 1963.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

selected for policy purposes.[13] In the United States the proliferation of interest-bearing "NOW" checking and money market accounts has been a running saga for several years. The development of a more competitive financial system is highly desirable, but it inevitably weakens mechanistic relationships based on experience in earlier, more regimented periods.

The earlier fear about the monetary approach to inflation was that it would fail due to the growth of such money substitutes, the greater ability to economize on cash balances as a result of computer developments, and so on: in other words, that the velocity of circulation of money would rise and monetary policy would fail to restrain spending as sharply as intended. But the problem in the last couple of years, especially in the United States and Britain, has been the opposite: velocity has fallen and the whole stance of demand management—despite large fiscal deficits in the United States—has (at least until the autumn of 1982) been a good deal tighter than intended. Thus the characteristic criticism of technical monetarism turned out to be precisely the reverse of the strictures which were justified by events.

The greatest mistake may have been in the international dimension. Monetarist models tend to assume that the demand to hold a country's currency comes mainly from its own citizens and is fairly stable. The removal of exchange controls and the development of world capital markets have made nonsense of this assumption—especially after the two oil price explosions which led to the accumulation by OPEC of hundreds of billions of dollars worth of foreign exchange reserves, often footloose and ready to go wherever the prospects seemed best.

Low-inflation countries are still likely to have rising exchange rates relative to high-inflation ones, other things being equal. But political hopes and fears, stemming for instance from the effects of the Polish crisis on West Germany or the vulnerability or safety of energy supplies, are also important, and the evaluation even of economic policies can change overnight.

Neglect of the international dimension and of institutional change caused the pace of disinflation to be much faster than intended. As a result of human action but not human intention we did not have Friedman's well-known policy of gradualism, but something more like the less well publicized policy of a sharp shock advocated by Friedrich Hayek.[14] Because labor markets take a long time to react

[13] Named after Charles Goodhart, a senior Bank of England economist who promulgated it informally in the later 1970s.

[14] F.A. Hayek, *1980: Unemployment and the Unions*, London: Institute of Economic Affairs, 1980.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to exchange rates, the dollar and sterling became overvalued, thus aggravating the recession. But the effects have not been symmetrical. The Central European countries and Japan have had to keep a tight rein on money and credit, because they were worried about the inflationary impact of further depreciation. So they were not able to reap the full benefit of the trade stimulus which normally comes from undervaluation.

Official exchange-rate intervention, which many people have called for, would not help as it would fail to tackle the underlying forces affecting the demand for particular currencies. The insistence of France (partially backed by her EEC partners) on the issue at the Versailles Summit in June, in place of more important issues, contributed to the failure of that gathering.

A great deal of time and effort was devoted at Versailles to a face-saving agreement which accepted the case for intervention "in disorderly market conditions" (a phrase which the United States used to minimize its commitment) and to a study of the effectiveness of intervention, the results of which will almost certainly be inconclusive. Because of these preconceptions, the Summit leaders did not adequately diagnose or prescribe for either the deterioration taking place in the world economic conjuncture or the international debt position.

On East-West trade the Summit actually aggravated tensions. A compromise wording on the need for a "prudent and diversified approach" failed to prevent the bitter row over the Soviet gas pipeline from surfacing a few days after the summiteers had dispersed. The Versailles meeting was widely judged to have been the least successful of the whole Summit series. The lesson many leaders have drawn was that the next Summit (in Virginia in mid-1983) should pay less attention to the communiqué (which some would like to see dispensed with altogether) and that there should be much less structured and more informal conversation. As Lord Asquith might have said, we will "have to wait and see."

More important than these summit bickerings was the fact that, from the beginning, many in the Fed understood the weaknesses, in changing conditions, of technical monetarism based on a target for one or more monetary aggregates. The main factor preventing an earlier relaxation in the Fed's monetary policy terms was fear of the U.S. budget deficit. Indeed, calls for a higher U.S. tax level or lower government spending became a feature of international meetings, and were expressed by governments, such as the French, which were committed to expansionist fiscal policies in their own countries (at least until their own currencies weakened dangerously

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

on the foreign exchanges).

What exactly was the U.S. fiscal problem? The 1981–82 and prospective 1982–83 U.S. budget deficits were still low by international standards and largely the outcome of recession. The rational cause for inflationary worry was not the existing U.S. budget deficit but fear for the future. Projections had shown it rising on unchanged policies to over $200 billion by 1984–85 and beyond, even on the assumption of economic recovery and normal growth. The financial markets obviously feared that this might be financed from the banking system. But even if it were not, borrowing on such a scale would drive up real interest rates.

The budgetary resolution passed by Congress before the 1982 mid-term election did not remove the longer-term threats. What was new was that both the President and Congress at least agreed on the *need*—if not on the actual measures—to shift the U.S. budget deficit onto a downward track as a proportion of national income. The earlier, so-called "supply side" belief that budget deficits either did not matter if the Fed held to its monetary targets, or would be automatically reduced as a result of the stimulating effects of tax cuts, was abandoned decisively when Professor Martin Feldstein took over as chairman of the Council of Economic Advisers in the summer of 1982.

By October 1982, the U.S. Fed felt able to relax, and Chairman Paul Volcker announced at Hot Springs, Virginia, the suspension of U.S. monetary targets. A similar message had been given in the same month by the other supposedly "monetarist" government, that of Great Britain. Sir Geoffrey Howe, the British Chancellor, in a speech at the Mansion House, London, loosened the link between his medium-term financial strategy and the observance of any particular targets for any particular monetary aggregates, coining the slogan, "Flexibility without laxity."

In the United States, the Fed's action had been foreshadowed by Paul Volcker's earlier important, but much misunderstood, half-yearly report to the Senate Banking Committee on July 20, which marked the death knell of monetarism as a specific and technical doctrine. (It by no means marked the end of the wider and more important doctrines which have come back into favor as a result of the monetarist episode.)[15] In his July report the Fed Chairman wondered aloud whether the rising trend of velocity of the past ten years (which were mostly periods of rising inflation and interest rates) was not being reversed. He very reasonably did not pretend

[15] Some account of these can be found in S. Brittan, *How to End the Monetarist Controversy* (revised edition), London: Institute of Economic Affairs, 1982.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to know; but this very agnosticism was bound to increase the discretion of the Fed both in determining monetary targets and deciding how far they should be observed. The July and October statements were followed by a moderate reduction in interest rates. But it was not at all clear what the Fed's new longer-term yardsticks were to be, whether they were to be newer and higher monetary targets, interest rates, output and employment, or the gross domestic product measured in current (as opposed to constant) dollars. Nor was it clear how these variables were to be weighed against each other. The Fed was feeling its way.

The combination of the new fiscal seriousness of the Congress and the Administration, the depth of the recession and the evidence of a very sharp fall in inflation, created a climate in which the Fed could safely shift from the letter of technical monetarism. But unfortunately neither the Fed nor other national monetary authorities seemed to have a very clear idea of how to find a middle way between technical dogmatism and the earlier inflationary follies committed in the name of full employment policies, which ultimately collapsed.

It is very important that the flexibility which arrived with the fall of 1982 should not look like going back to traditional postwar demand management, which attempted to underwrite any level of wages and prices which happened to emerge in the marketplace. The reason for this is not puritanical anti-inflationary virtue, but severely practical. For if a return to inflationary finance is foreseen, interest rates will rise and not fall in response to monetary and fiscal stimuli, which will therefore "not work." There were indeed many signs that the Fed—like financial authorities in many other countries—was not at all sure how to implement "flexibility without laxity" in practice.

Unfortunately, leaving the size and scope of action completely to central banks' discretion is not likely to be adequate. Without guidelines they cannot be depended upon either to do enough to maintain monetary demand to offset a slump, or to restrict it enough to prevent a re-acceleration of inflation in the longer term.

One constructive response to the new instability in the "demand for money" is to have a combined international money supply objective.[16] It need only involve the countries with the world's main currencies—say the United States, Japan, Germany and perhaps Britain. This would be a great step forward, as the demand for a central group of currencies is almost certain to be more stable than

[16] As advocated by Professor Ronald McKinnon of Stanford in testimony before Congress.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

for any one currency alone. Echoes of such ideas must have reached Treasury Secretary Donald Regan when, in contrast to his earlier position, he called on countries on the eve of the Kronberg meeting to take into account the international repercussions of their domestic monetary policies. But neither the United States nor any of its partners had any clearly formulated ideas on how this might be done.

If it were politically possible to have a joint money supply objective for a few major countries, it would be an improvement on the experience of the last few years. Nevertheless, I question whether even the demand for a key group of currencies will be stable enough to provide a reliable target. There will be occasions when the central banks may have to inject liquidity into the world financial system without too obsessive and immediate a concern about the money supply numbers. But a series of piecemeal adjustments to the pressures of the moment is most unlikely to bring the stability of expectations which the world so badly needs.

It is for this reason that some economic commentators have suggested that the objective of financial policy should be shifted from means to ends, i.e., to monetary demand or "money times its velocity of circulation" (MV). This is the same as the gross domestic product (GDP) measured in current dollars (Money GDP) and it is in fact a good deal easier and less contentious to measure than the money supply itself. By making Money GDP the objective rather than Real GDP, policymakers are resisting the delusion that it is possible for them to spend their way into target levels of output and employment irrespective of the effects on prices and wages. They thus show they have learned the lesson from the collapse of earlier types of demand management, sometimes known as Keynesianism, but in the United States more often labelled the "New Economics," practiced during the Kennedy-Johnson period. On the other hand, a Money GDP objective should help to ensure that demand is kept on a gently rising path sufficient to produce real growth of output and employment, not unconditionally but if producer groups refrain from pricing their members out of work.

An objective for Money GDP for, say, the inner group of five summit countries—the United States, Japan, Germany, the U.K. and France—may sound a tall order; but it is doubtful if anything less will suffice. Long-run guidelines for the growth of Money GDP in the core countries of the industrial world are, of course, no substitute for intermediate objectives for monetary aggregates, public sector borrowing or official international lending or emergency operations to bolster countries or banks. A Money GDP

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

objective would however prove the best guide to using these instruments so as to combine firm long-term guidelines with maximum short-term flexibility for central banks and finance ministers.

The fact that such an objective makes sense mainly over a period of years is a positive advantage. For it enables short-term discretion for central banks to be combined with coherent long-term guidelines. It is not a gimmick, but merely a way of expressing policy objectives which experience suggests have some, admittedly imperfect, chance of being achieved.

V

Although new guidelines for macroeconomic policy are urgently needed, the problems of the industrial economies go deeper. An explanation of the traumas of 1982 entirely in terms of the transitional costs of reducing inflation is at bottom too optimistic. If inflation and tight money policies were the only problem, it would be possible to move back toward earlier levels of performance once inflationary expectations were eliminated.

But, apart from being optimistic, such a view leaves many questions unasked. Why was it so much more difficult and costly to puncture inflationary expectations after the oil-price explosion than, say, after the post-Korean-War inflation in the early 1950s, let alone in many earlier periods? Why are wages and some prices quite so sticky in the face of reduced demand?

It seems pretty clear from the experience of recovery periods that the rates of employment and growth consistent with stable non-accelerating inflation have fallen in most Western countries. It is unconvincing to blame the 20 percent fall in British manufacturing output since 1979—which has been paralleled by similar if less spectacular difficulties in established industries throughout Europe and North America—either on the inevitable costs of disinflation or on the mistakes of President Reagan, Prime Minister Thatcher or former German Chancellor Helmut Schmidt (who was deposed in the fall of 1982 by a shift of coalition politics partly reflecting economic discontents). There are clearly "real" non-monetary forces at work.

There are a good many indications that the large amounts of unused capacity revealed by industrial surveys are deceptive. No doubt the physical plant and equipment are there—but much of it may be economically obsolete and not likely to come back into operation even in a period of normal growth. The most important single pointer is the prevalence of high real interest rates, which

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cannot be accounted for entirely by monetary policy mistakes. High interest rates are normally a sign of capital shortage.

Another remarkable phenomenon has been the clamor of complaints from so many Western countries that most of any increase in demand is sucked off into imports with little benefit to domestic industry. If this were so only in one or two countries, it might be just a sign of wrongly aligned exchange rates. But such reports come from many countries; and the beneficiaries from rising imports always seem to be Japan, Southeast Asia, the other newly industrializing countries and the low-cost plants of southern Europe.

One reason for the obsolescence of so much capital has been the shift in relative prices of different inputs into the production process.[17] The golden-age growth period before 1973 was accompanied by fairly stable price relativities. Since then the most spectacular change has been in energy prices. Despite the recent shakeout, oil still sold at over $30 per barrel at the end of 1982, compared with $16 in 1978 and $2–$3 in 1972. Capital costs have, as already mentioned, risen recently. On the other hand, the market-clearing price of labor (the price at which demand and supply are brought into line) has clearly fallen, if not its actual price.

A major force behind all these changes and the economic obsolescence of so much capital equipment in the West has been the emergence of the developing countries as major manufacturing centers. They have been acquiring a comparative advantage in an increasing number of industries formerly the preserve of the West. This so-called transition thesis, which has been most fully developed by Professor Michael Beenstock of the City University of New York, does tie together a number of developments.[18]

The most obvious is the growing uncompetitiveness of many parts of traditional industries in the West, not just textiles but a large range of metal and engineering goods and even services, such as shipping. Manufacturing has, however, been the prime victim. As manufacturing is also the most capital-intensive sector, the downward pressure here has contributed to a general fall in the share of profits in the national income of most Western countries. The pressures on the rate of return in the old countries and competitive advantages of the new centers have directed investment toward the developing countries, where fixed investment grew in the 1970s at an average annual rate of 7.8 percent, compared with 1.6 percent in the developed world. Thus, Third World indebted-

[17] See Herbert Giersch and Frank Waller, "On the Recent Slowdown in Productivity Growth in Advanced Economies," *Economic Journal*, forthcoming.

[18] See Michael Beenstock, *The World Economy in Transition*, Winchester, MA, and London: Allen & Unwin, 1983.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ness is a natural development—but, like similar investment a century ago, it is prone both to fits of overexuberance and to setbacks whenever a global recession puts a check on the growth of markets.

It is a paradox that the long-term success of the developing countries should have weakened economic growth in the West, which has in turn hit the market opportunities and borrowing power of the less-developed countries (LDCs) themselves; but, paradox or not, it seems to have occurred.

The strongest evidence for the Beenstock "transition thesis" is the simple fact that, taking the decade since 1973 as a whole, Third World countries have performed better than the advanced ones. Non-oil developing countries were only slightly affected by the 1973–75 recession and did better than the developed ones in the 1975–79 recovery. Third World countries have suffered a substantial check in the 1979–82 recession; but even so they have fared considerably better than the Western world. The Wharton projections to 1987 again show the Third World countries outstripping the First by a substantial margin.[19]

TABLE III

GROWTH OF REAL GDP

(Annual average compound growth rates)

	Golden Age 1960–1973	*First oil shock 1973–1975*	*Recovery 1975–1979*	*Second oil shock 1979–1982*	*Wharton Forecast 1982–1987*
Developed countries	5.0	0.3	4.0	0.8	3.0
United States	4.1	−0.8	4.5	−0.1	3.3
Japan	9.9	0.6	5.2	3.2	3.4
Europe	4.8	0.8	3.4	0.8	2.4
West Germany	4.5	−0.7	4.0	0.6	1.7
Oil exporting	8.2	2.3	5.4	0.1	4.2
Other developing	5.5	4.8	5.4	2.0	4.2
Centrally planned economies	7.2	5.6	4.6	2.9	3.3

SOURCE: World Economic Outlook, Wharton Econometric Associates.

It may be said that Third World competition still accounts for too small a proportion of the imports of developed countries to be responsible for the stagnation of the last decade. This is not as decisive a rebuttal as it seems. In many ordinary domestic markets threats from low-cost marginal entrants can have a profound effect on profits and costs even when the sales involved are comparatively

[19] The contrast is even more dramatic if the most rapidly industrializing Asian countries are examined. In the developed world, GDP growth in 1982 has been negative and is expected by Wharton to average three percent in the years to 1987. But for Korea it is put at five percent, rising to five to seven percent in the years ahead. For the Philippines it is three percent rising to six percent. For Hong Kong and Singapore current growth rates of five percent are regarded as "low."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

low; the Third World competition so far seen is only the tip of the iceberg.

But the "transition thesis" by itself does not account for the unemployment and stagnation of the Western world. It is impossible for one country to have a comparative advantage over another in every product; and there normally exist terms of trade at which a country can pay its way in the world and sustain a normal level of economic activity.

Beenstock's main explanation of why the development of LDC competition should have caused unemployment in the West is what he calls "mismatch." Redundant steel or garment workers cannot transform themselves into computer programmers overnight; and inflexibility of relative wages, and controls and subsidies in the European housing markets, hinder mobility. There still remains the awkward fact that redundancies in traditional industries do not seem to be matched by comparable excess demand for labor in the service sector or in the newer industries. Moreover, the rise in real wages in Europe relative to productivity, and the decline in the rate of return to capital and the share of profits, seem to be too great to be accounted for merely by a relative shift away from the older capital-intensive industries.

Third World competition and even energy price changes would not have led to such prolonged stagnation and inflation without institutional rigidities, which prevented relative prices from adjusting enough to secure full employment. These rigidities are particularly great in the labor market. At this point, some distinction must be made between Europe and North America.

During the period of postwar growth, a rapid rise in European real wages was possible with little disturbance. Some of the factors which made this possible were straightforward gains from catching up with the best U.S. methods; a demand for more and more of the same types of goods which encouraged economies of scale; cheap energy; and as yet little resistance to growth from any "green" environmental lobby. In addition, "money illusion"—i.e., the habit of treating tomorrow's dollar as equivalent to today's—enabled the finance ministers and central banks to keep real interest rates and unemployment below the levels at which they could be sustained in the long run.

There have always been strong social, political and institutional forces in Europe tending to resist either reductions in average real wages or changes in relative remuneration. But these did not matter so much when the above-mentioned forces, which made rapid real wage growth compatible with full employment and with minimum

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

disturbance, were in operation. But when these unusually favorable factors ceased to operate, the structural rigidities began to cause far more harm.

In the United States these forces were less powerful; and despite the record postwar unemployment rates of 1982, the unemployment *increase* was much less than in Europe. (With such wide variations in national labor market characteristics, changes in unemployment rates are more comparable than absolute amounts.) In the United States the unemployment increase between the 1973–75 recession and late 1982 has been about three percent. In Europe it has been over six percent. Despite the cyclical unemployment peak of 1982, the U.S. labor market has been able to absorb over the last decade a rapid increase in new entrants, youths, and women, at the expense of lower real wages and lower productivity. Average real earnings per hour for U.S. private-sector workers were lower in 1981 than ten years earlier and have not shown any net growth since 1967. All the rise in American output in recent years has come from increases in the employment of labor, with hardly any net gain in productivity or per capita real earnings.

In Europe real wages have grown faster for those who have retained their jobs; and many people have been priced out of work. In Japan and still more in Southeast Asia, real wages have been even more flexible than in the United States, and they, rather than employment, have taken the strain.

VI

Why then has institutional sclerosis crept up on the West, but at different speeds in different countries? The most plausible theory I know relates to the politics and economics of common interest groups and collusive associations. These cover a great variety of organizations and informal groupings—professional associations, trade unions, price rings, industrial lobbies that campaign for protection from foreign competition and for government subsidies. The list is endless.

Some of these associations may strengthen the cohesion of society by creating a network of local professional loyalties intermediate between the citizen and the state. But they reduce growth, efficiency and the capacity to adapt to outside events. The pernicious direct effect of "common interest organizations" is that they prevent or delay the changes in *relative* incomes and prices required when productivity changes or the system is subject to an external shock.

The effect of common interest groups resisting economic adap-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tation is greater than that arising from the pure influence of monopoly power efficiently wielded. For the power of the group is not even efficiently wielded. Some of the most important effects arise from the high cost of decisions within these groups. Major external changes will alter the optimum policy of such organizations and require difficult bargaining with other organizations and/or the government. Thus, cartelized organizations are cautious about innovations and change.

As important as the direct effects in the market place are the political by-products of interest group lobbying. The complexity of regulations and the scope of government are increased. Increased resources are devoted to lobbying, negotiations and political activity; and individuals with these abilities will be favored relative to those with technical or entrepreneurial abilities.

The most plausible theory which explains why collusive organizations and interest group politics are more important in some societies than others is that of the American economist, Mancur Olson.[20] These organizations are costly to maintain and even more costly to start. Each individual member has an incentive to be a "free rider" on the actions of others. Participation is costly whether in the form of membership dues, strike action or lobbying. For interest groups to become effective, the leaders have to provide "selective incentives" such as professional information or social insurance benefits which make participation individually worthwhile. Alternatively, moral pressure or coercion may be applied. The relevant incentives, loyalties and pressures all take many years to evolve. But once they have become established, interest groups tend to maintain themselves almost indefinitely at much less cost. From this we derive Olson's Law:

> Stable societies with unchanged boundaries tend to accumulate collusive organizations and interest groups over time, and thus tend to lag behind in their growth rates and capacity to adapt in comparison to newer and more dynamic societies.

Thus it is not surprising that a country such as Britain, which pioneered the Industrial Revolution and has had the longest record of political freedom and settled institutions, should have been among the first to succumb to economic stagnation (whether it will be the first to emerge is another question), closely followed by the industrial Midwest of the United States. On the other hand, countries "where common interest organizations have been emas-

[20] See Mancur Olson, *The Rise and Decline of Nations*, New Haven: Yale University Press, 1982.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

culated or abolished by foreign occupation, totalitarian governments or political instability" experience rapid rates of growth "after a free and stable legal order is established." The countries of continental Europe in the 1950s and 1960s are the obvious examples.

But as World War II and its aftermath receded, and settled democratic institutions moved into their second generation, it was only to be expected that producer-interest groups would gain ground in Western Europe as well. The countries now experiencing the most rapid growth are in the Pacific Basin, where industrial development is still a novelty and untrammeled by collective or political pressures.

Olson has now extended his theory to cover unemployment and prolonged recession as well as low growth. He starts from a state where there is involuntary unemployment, i.e., there are workers who would be willing to work for less than the going wage but still cannot find jobs. Mutually advantageous job contracts could in principle be made between employers and unemployed workers at a wage below the going rate, but above the value of the unemployed person's free time. Who, Olson asks, might have an interest in blocking such transactions? The answer, of course, is "workers with the same or competitive skills." Existing workers can only prevent such contracts if they are organized into a cartel or lobby or are informally able to exert collusive pressure. If we recall the earlier argument that collusive organizations find it particularly difficult to react to changed market conditions, for instance, those requiring lower real wages, it is not difficult to see how the impact of shocks such as oil price increases, or Third World competition, or counter-inflationary policies, can be felt in a prolonged and deep recession.

It seems clear that the collusive groups with the most power to price workers out of jobs, or stop them pricing themselves into jobs, are the labor unions, in Western Europe at least. In the United States it is probably the political lobbying of a great variety of producer groups ranging from the American Medical Association to corporations threatened by imports. The European variety is the more harmful.

VII

The deep-seated structural problems of the older industrial nations are not easily amenable to summit diplomacy. For they are neither parochial problems nor international problems, but common problems, which have to be tackled on the spot by whoever has the opportunity to act.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

International economic cooperation can help to minimize the financial and macroeconomic disturbances which make the real problems worse. It can also help to keep down the economic arms race in trade restrictions, subsidies and other costs and distortions. These are particularly pernicious, because, although they are imposed to protect employment in particular sectors, their ultimate effect is to delay adjustment and to worsen either employment or living standards or both.

Progress on the international economic front will require not only a more coherent response to default risks and to lender of last resort operations; it will also require a common demand management and monetary policy by at least the three or four major countries of the system. But the result of all these financial efforts will be extremely disappointing if there is not a great improvement in the ability of the developed countries of the world to respond to changes in demand, technology and costs—in what is known as the "supply side" of the economy, using this term for once in its correct sense.

Exhortations, committees and training schemes may have their place in such improvement. Far more important is to allow the price mechanism—in the labor as well as in the goods market—more scope, to provide incentives to produce the products of the future rather than the past, to price workers into jobs and to move resources from areas of surplus into areas of scarcity.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Josef Joffe

EUROPE AND AMERICA: THE POLITICS OF RESENTMENT (CONT'D)

Transatlantic disaffections, sturdy perennials since the turn of the decade, continued to sprout luxuriantly throughout 1982. They were nourished by two as yet inchoate forces which, if unchecked, will logically lead to the end of alliance: the trends toward neutralism in Europe and toward unilateralism in America.

Both sentiments spring, paradoxically, from the same source. If the message of neutralism is "Leave us alone," the motto of global unilateralism is "We will go it alone." It does not matter that the neutralist impulse seeks safety in the escape from power while unilateralism glories in its reassertion. Nor does it matter that the one may be driven by fear whereas the other is fueled by a heady sense of newfound determination. For in both cases, the leitmotiv is retraction and insulation—from the grating demands of dependence, from the troubles of a strained partnership, from commitment to uncertain allies who exact loyalty with a vengeance but yield little of their jealously guarded freedom of action.

The Alliance has of course suffered from bouts of European neutralism before. Indeed, the "Yankee go home" and *ohne mich* revulsions of the 1950s make today's anti-American sentiments appear as rather pale copies of the real thing. Similarly, the *Kampf dem Atomtod* ("fight nuclear death") campaign in Germany of circa 1958 was a real movement rather than a mood restricted to a strident minority. (A quarter-century ago, not only were there hundreds of thousands taking to the streets and squares of West Germany; there was a clear anti-nuclear majority in public opinion and, more important, there was also a leadership and a structure provided by the Social Democratic Party and the Trade Union Federation.)

On the American side, the fitful rush toward global unilateralism is almost as old as the Alliance itself: intervention in Korea in 1950 (with the help of some token allied contingents but where the United States fought essentially alone), the abandonment of Britain and France during the Suez War of 1956, the shift from the

---

Josef Joffe, a senior editor of the German weekly *Die Zeit*, is currently on leave at the Woodrow Wilson Center in Washington.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

multilateral NATO deterrent force (MLF) to limited Big-Twoism in 1965 (as symbolized by the Nonproliferation Treaty), escalation in Vietnam under President Johnson, the "Nixon Shock" of 1971. Still, Europe and the United States have never turned from one another at the same time. As in a stable marriage, one was always there to tend house when the other went off in pursuit of extra-curricular temptations.

The early 1980s offer a strikingly different texture because divergence is suddenly *à deux*. Nothing could exemplify this "creeping divorce" (as French Foreign Minister Claude Cheysson put it) better than the protracted shouting match over the Euro-Siberian gas pipeline. The quarrel began in earnest at the turn of 1981–82 when martial law was imposed on Poland, and it was barely contained by the end of the year. Whereas the Europeans denounced the Polish putsch rhetorically, they continued to extend large-scale credits to the U.S.S.R. for the construction of the gas duct. The United States, however, portrayed the coup as further proof of the need to inflict economic sanctions on the Soviet Union. These conflicts escalated misunderstandings between Europe and the United States to a high point of resentment, recrimination and retaliation just after the Versailles Summit of the industrialized nations in June. It took the rest of the year—and the appointment of a new U.S. Secretary of State—before the discord was at least muted, if not resolved.

II

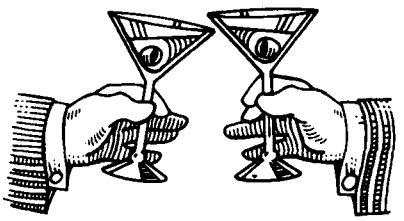
The arguments over the Yamal pipeline which were batted back and forth across the Atlantic for most of the year are by now as familiar as they are inconclusive. Is a five to six percent dependence on Soviet energy exports (i.e., gas, oil and uranium) the prelude to subservience? If that aggregate figure seems less than awesome, what about a 30-plus percent dependence on Soviet natural gas?

Europeans have argued that their expanded energy relationship with the Soviet Union will be neither harmful nor unequal. They have pointed to the diversification of their gas supplies and to the "bi-valence" of their utilities and industries (allowing them to switch to substitute fuels). They have recalled the sterling, business-like behavior of the Soviets in the past.[1] And they have also stressed

[1] While such reliability of supply holds true in the case of Western Europe, lesser nations outside the alliance system did suffer the knout of Soviet displeasure on occasion. Thus, the Soviets interrupted energy exports to Yugoslavia in 1948, Israel in 1956, Albania in 1961, and China in 1962. Cf. Angela Stent, "Soviet Energy and Western Europe," *The Washington Papers*, No. 90, New York: Praeger, 1982, p. 81.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ROOSEVELT AND CHURCHILL: A TALE OF TWO MARTINIS.



Concerning affairs of state, these two great statesmen were frequently of a single mind.

But in the mixing of martinis, there was a parting of the ways.

FDR enjoyed his martini in the then-traditional manner: two parts gin to one part vermouth. Sir Winston, his friend and ally, acknowledged the traditional role of vermouth merely by glancing at the vermouth bottle as he poured the gin.

History would appear to be on Churchill's side. Which is not surprising. After all, who knows more about gin than the English?

BEEFEATER® GIN.
The Crown Jewel of England.™

IMPORTED FROM ENGLAND BY KOBRAND CORP., N.Y., N.Y. 94 PROOF 100% GRAIN NEUTRAL SPIRITS

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Chromium Mechanism

The first comprehensive explanation of electrochemical activity during the plating of chromium has recently been formulated at the General Motors Research Laboratories. This understanding has aided in transforming chromium plating into a highly efficient, high-speed operation.

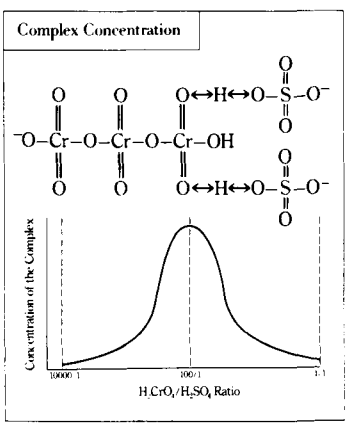


Figure 1: The electroactive complex and a theoretical plot of its concentration as a function of chromic acid to sulfuric acid ratio.

Figure 2: The electroactive complex diffuses from the bulk electrolyte solution (A) through the diffusion layer (B) to the Helmholtz double layer (C) to be discharged as metallic chromium (D) on the cathode (E) surface.

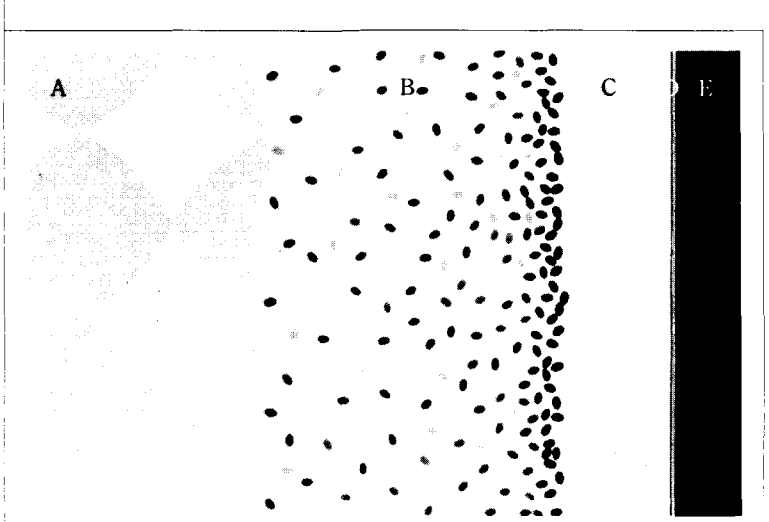
FOR MANY industrial applications, chromium coatings of more than 0.2 mil thickness are required for wear and corrosion resistance. But the conventional method of plating chromium is neither fast nor efficient. Nor, until the recent work of a GM researcher, had the steps involved in the century-old plating process been explained in detail. Through a combination of theory and experiment, Dr. James Hoare has devised the first comprehensive mechanism for chromium plating. This increased understanding has helped electrochemists at the General Motors Research Laboratories develop a system that plates chromium sixty times faster than the conventional method, while improving energy-efficiency by a factor of three.

The electrolyte for plating is a chromic acid solution which contains various chromate ions: chromate, dichromate and trichromate. From a series of steady-state polarization experiments, Dr. Hoare concluded that trichromate is the ion important in chromium deposition.

Sulfuric acid has been recognized as essential to chromium plating and has been assumed by some to be a catalyst for the process. In this strongly acidic solution, sulfate should be mostly present as the bisulfate ion $(HSO_4)^-$. Dr. Hoare found, contrary to expectations, that the addition of sulfuric acid to the plating bath decreased the conductivity of the solution.

Combining these findings with the results of previous investigations, Dr. Hoare concluded that the electroactive species was a trichromate-bisulfate complex (see Figure 1). From equilibrium considerations, he theorized that the maximum concentration of this species occurred at a 100-to-1 chromic acid/sulfuric acid ratio. The observation that the maximum rate of chromium deposition also occurred at this ratio supports the conclusion that this trichromate-bisulfate complex is the electroactive species.

During the plating process, the complex diffuses from the bulk solution toward the cathode (see Figure 2). Electron transport takes place by quantum mechanical tunneling through the potential energy barrier of the Helmholtz double layer and the unprotected chromium in the complex (Cr atom



LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

on the left in Figure 1) loses electons by successive steps, going from Cr^{+6} to Cr^{+2}. Decomposition of the resulting chromous dichromate complex takes place by acid hydrolysis to form a chromous-oxybisulfate complex:

$$^{+}Cr-O\leftrightarrow H\leftrightarrow O-\underset{\underset{O}{\|}}{\overset{O}{\|}}{S}-O^{-}$$

The positive end of this complex is adsorbed onto the cathode surface. Electrons are transferred from the cathode to the adsorbed chromium ion, forming metallic chromium and regenerating the $(HSO_4)^-$ ion. Thus, Dr. Hoare's mechanism explains how sulfuric acid, in the form of the bisulfate ion, participates in the plating process.

IT HAS long been known that chromium cannot be plated from a solution when initially present as Cr^{+3} because of the formation of the stable aquo complex, $[Cr(H_2O)_6]^{+3}$. Yet chromium can be plated when initially present as Cr^{+6} even though it must pass through the Cr^{+3} state before being deposited. Dr. Hoare's mechanism handles this paradox by explaining that the chromium ion being deposited (on the left in Figure 1) is protected by the rest of the complex as it passes through the Cr^{+3} state, so that the stable aquo complex cannot form.

The diffusion of the electroactive complex apparently controls the rate of the process, so that shortening the diffusion path increases the speed of chromium deposition. A high rate of relative motion between the electrolyte and the cathode will shorten the path. This can be accomplished by rapid flow or by agitation of the electrolyte.

Dr. Hoare found that the rate of chromium deposition increased with electrolyte flow until the process was no longer diffusion-controlled. He also found that the use of dilute electrolyte significantly increased plating efficiency.

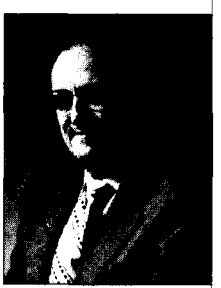
"This project is an excellent example," says Dr. Hoare, "of how basic research and engineering principles can be combined to develop a new, successful process. Now, we'd like to take on the challenge of plating successfully from Cr^{+3}, which would be an even more efficient way to provide corrosion and wear resistance."

General Motors

GM

MARK OF EXCELLENCE

THE MAN BEHIND THE WORK



Dr. James Hoare is a Research Fellow at the General Motors Research Laboratories. He is a member of the Electrochemistry Department.

Dr. Hoare served as an electronics technician in the U.S. Navy during the Second World War. In 1949, he received his Ph.D. in physical chemistry from the Catholic University of America. After an assistant professorship at Trinity College in Washington, D.C., he joined the US Naval Research Laboratory as a physical chemist. He became a staff member at General Motors in 1960.

Dr. Hoare's sustaining interest has been in electrochemical kinetics and the mechanisms of electrode processes. He is best known to the scientific community for his basic studies of hydrogen and oxygen electrode mechanisms. His book, *The Electrochemistry of Oxygen*, published in 1968, is considered a work of primary importance to the field. In addition to his work on chromium plating, he is responsible for the fundamental research that helped make electrochemical machining a precision process.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"**FOREIGN POLICY... required reading.**"

Cyrus Vance

"**FOREIGN POLICY** consistently attracts the most impressive authors on current affairs ...provocative...readable."

Hedrick Smith
The New York Times

"**FOREIGN POLICY** offers diverse but authoritative perspectives on issues of immense and immediate significance to our country."

Senator Howard Baker, Jr.

"**FOREIGN POLICY...** important reading in an uneasy world where **foreign policy is everybody's business.**"

Senator Gary Hart

FOREIGN POLICY

NUMBER 49 WINTER 1982-83 $4.75

AVOIDING A SHOWDOWN

3 With The Soviet Union — *William G. Hyland*

20 In Poland — *Richard Spielman*

37 Over Western Europe — *David A. Andelman*

52 Human Rights: The Bias We Need — *Alan Tonelson*

75 America & Japan: A Search For Balance — *Stephen J. Solarz*

93 Zimbabwe Is A Success — *Jeffrey Davidow*

107 Mexico's Crisis, The World's Peril — *William R. Cline*

MIDDLE EAST OPTIONS

119 Talk With Arafat — *Herbert C. Kelman*

140 Support Reagan's Initiative — *Alan J. Kreczko*

154 Discard Conventional Wisdom — *Aaron D. Rosenbaum*

168 Dateline Australia: America's Foreign Watergate? — *James A. Nathan*

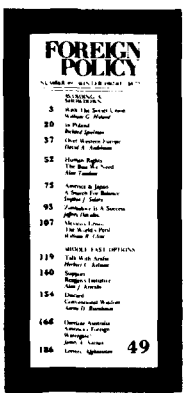
186 Letters: *Afghanistan*

49

- Can the US avoid a military showdown with Andropov's Russia?
  One of America's leading Soviet experts looks at narrowing US options in the post-Brezhnev world.
- Can the US and Japan settle their trade and defense differences amicably?
  Congressman Solarz admits it will be difficult but suggests how to do it.
- William R. Cline advances a program to avert looming economic collapse.
- What are the alleged CIA abuses in Australia?
  James Nathan explains why America's problems in Australia could end all future hope for US-USSR arms control.

Send to:

FOREIGN POLICY
Subscription Department
Box 984
Farmingdale, NY 11737



Yes, FOREIGN POLICY *Is my business!*

Please enter a one-year subscription (4 issues) for only $14 — $5 off the regular newsstand price of $19.

GUARANTEE
I understand that full refund is guaranteed if I cancel on seeing the first issue.

☐ Payment enclosed
☐ Bill me

Outside USA add $3 surface annually. $15 air annually

Name _____
(PLEASE PRINT)
Address _____
City _____ State _____ Zip _____

7FA4

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

that ties tend to fetter both sides. Europe's presumed gas addiction will thus be matched by a similar habit on the part of the Soviets worth about $10 billion in cold cash per annum which, once acquired, is not easily broken.

It may well be true that the Soviets will never turn off the tap. On the other hand, they may not have to do so in order to encourage the right behavior. The sheer possibility of an interruption during a new energy scare (as in 1979) might create the kind of psychological setting where arm-twisting becomes superfluous. Power is when you don't have to threaten.

American counterarguments suffered from the perilous syndrome of "more is less." Their proliferation did not necessarily add to their combined weight. Initially, the American case stressed mounting energy dependence on a powerful opponent. After the imposition of martial law in Poland in December 1981, the first wave of American sanctions (the December 30 embargo on U.S.-made parts for the pipeline) was justified in terms of political morality. Accordingly, the Europeans' failure to cancel the deal implied tacit consent with the heinous suppression of Solidarity.

The focus of the third argument—an updated version of Lenin's famous rope quip—was on the Soviet Union itself, as undeserving beneficiary of Western technology, subsidized credit and gargantuan hard-currency infusions which would merely end up as a boon to the Soviet war machine.

The Europeans were quick to rub in the inconsistency between those three objections. Did the explicit link between American sanctions and the Polish putsch mean that the end of martial law would somehow also dispatch the twin issues of European vulnerability and Soviet (military) capability? Moreover, the Allies took endless pleasure in poking holes in the Administration's defense of its grain sales to the Soviet Union. How could trade be cynical business-as-usual when countenanced by France, Germany or Italy, while its American counterpart was touted as a strategic advance for the West? Why was deference to the ailing steel industry in Europe more sinful than President Reagan's appeasement of Midwestern farmers beset by overproduction and falling prices—and in an election year to boot?

It was indeed ironic that, on October 15, the U.S. Customs Service seized $3 million worth of pipeline equipment bound for the Soviet Union while, on the same day, the President announced his readiness to sell 23 million tons of grain to the Soviet Union. That quantity represented a threefold increase over existing contractual obligations. Nor was the Administration's case strength-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ened when a respectable Washington-based research institution exploded a fourth argument which was as self-serving as anything the Europeans had concocted: according to the "grain drain theory," European gas purchases would contribute vital resources to the tottering Soviet economy while American grain sales would sap it even more by extracting billions in scarce cash.

The economic facts and the time-honored principles of "comparative economic advantage" said otherwise. The Soviet Union, the world's most lackluster grain grower, is far better off buying grain abroad and devoting the saved resources to energy production instead. By a rough estimate:

> imports of an extra 1 million metric tons of grain in 1982 by the Soviet Union could save resources sufficient to produce about 2.8 million metric tons of oil, which would be valued at $700 million on the world market. In comparison, 1 million metric tons of wheat has a current world market value of about $160 million. If a similar comparison is made for grain and natural gas, the potential saving of resources by the Soviet Union is about three times greater.[2]

Yet the Europeans were hardly less disingenuous. Although they delighted in "unmasking" American self-interest, they clearly rejected any trade-off by which a renewed American grain embargo would lead to the cancellation of the pipeline-to-be. Which leads to the crux of the matter—one that rests as heavily on American as on European shoulders.

While squabbling over the presumed impact of energy dependence, an assumption that remains unproved, or the efficacy of economic sanctions (historically a rather dubious proposition), both Americans and Europeans failed to grapple with the real issue of the 1980s: the relentless expansion of Soviet military capabilities throughout the previous decade. And there it is clear that megadeals like pipelines and grain bonanzas do contribute massively to the resource base of the Soviet economy.

Indeed, according to the Wharton analysis, grain and gas make a perfect pair, opening up an "angelic cycle" for the Soviet Union. With resources saved through the import of grain, the Soviet Union can develop those high-value energy supplies which are sold to Europe. And the profits from these sales are plowed back into the purchase of American grain. It is hard to think of a more benign trading constellation than such unwitting collaboration between Europe and the United States for the greater good of the Soviet Union.

[2] Wharton Econometric Forecasting Associates, "Comparative Advantage in Soviet Grain and Energy Trade," Washington, September 10, 1982.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

III

Did it make sense to deplore the erosion of the global and regional balance while sparing the Soviet Union the necessity of choice through the lavish infusion of Western resources—be it in cash or in kind? Throughout 1982, both Americans and Europeans pretended to solve that dilemma by ritual exercises in rhetorical legerdemain. The Reagan Administration resorted to the Orwellian proposition that strengthening the Soviet economy would actually weaken it. And the European governments sought refuge in the comforting belief that trade was either good or indifferent. If trade, by extending the blessings of interdependence, did not in fact help stability, at least it would do nothing to harm it. At a minimum, the pipeline would optimize resource allocation and maximize joint welfare in classic textbook fashion.

Such benign calculus, however, glossed over a crucial variable: if the pipeline was somehow a profitable proposition in its own right, why did it have to be subsidized through credits below market rates? In the most extreme case the spread between contract and market rates extended to a hefty eight percent.

Thanks to the extravagant rhetoric of the Reagan Administration, which kept dramatizing the link between the pipeline and martial law in Poland, many observers overlooked a crucial distinction between American propaganda and policy. Indeed, during the first half of 1982, American diplomacy was perhaps more subtle than its verbal volleys suggested. Hidden behind the wafts of declaratory smoke there was the outline of a deal. Washington would drop its opposition to the pipeline in exchange for a threefold European commitment: no more cheap credit for the Soviets; hence no more mega-projects like the gas link (which does depend on lavish credits at below-market rates); finally a watertight agreement on the transfer of sensitive technology.

Viewed in this light, the first wave of American sanctions on December 30, 1981, signaled a mere warning shot. They pointedly barred only American companies from the construction of the pipeline, leaving their European subsidiaries and licensees free to contribute vital parts like turbines and rotor blades. That gambit came to nought by February when the French went ahead to conclude in January their own part of the agreement while extending a cheap $140-million loan to the Soviets. Still undaunted, the Administration dispatched Under Secretary of State James Buckley to Europe. His brief was again rather modest and limited essentially to the central issue of credit premiums for the Soviet Union.

Mr. Buckley received what Alliance sources in Brussels described

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

as a "sympathetic but reserved response." Between March and June, Europeans and Americans proceeded to conceal their conflict by dint of an elaborate conjuring act which, appropriately enough, culminated in the legendary Hall of Mirrors in Versailles on June 6. During their economic summit in the palace of the Sun King, the leaders of the seven Western industrialized powers agreed on the need for "commercial prudence" in their affairs with the Soviet Union, which should also be constrained by obeisance to their common "politics and security interests." For its part, the United States promised to be more forthcoming in the control of exchange-rate fluctuations.

It was no surprise that the convoluted communiqué of Versailles solved precisely nothing. The Europeans thought that they had bought off Washington with a declaration of good intentions. And President Reagan thought that he had extracted a commitment against further credit subsidies for the Soviets. When French President Mitterrand lost no time in pointing out that no such vow had been delivered, President Reagan felt duped.

Revenge came swift and hard. On June 18, President Reagan escalated the embargo so as to encompass not only American pipeline suppliers but also their subsidiaries and license holders in France, Germany, England and Italy. Unlike the warning shot of December 30, the broadside of June 18 ran a real chance of damaging the Euro-Siberian gas duct. For the extension of the embargo threatened to close off the last conduit for those crucial components that embodied an American monopoly of turbine technology.

Escalation did not bring victory but counterescalation. In July and August, the governments of three of those four European countries instructed suppliers under their jurisdiction to defy the American ban. In September, the Administration retaliated by imposing an export embargo on these companies. And Moscow was treated to a bizarre spectacle of internecine warfare—where the Europeans fought valiantly on behalf of their Soviet adversary while the United States inflicted brutal blows on friends rather than foes.

In the end, it was the United States that "blinked." In exchange for a European commitment to "review" all those issues which had come together in an economic casus belli, President Reagan, on November 13, lifted all restraints on American companies, their subsidiaries abroad and European licensees engaged in the building of the trans-Continental gas link. He declared his move a "victory for the allies." But in the meantime, as *Le Monde* (November 16) put it, the "embargo . . . had in fact done more damage to what he

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

wanted to strengthen—the cohesion of the Atlantic Alliance—than to the Soviet Union which he wanted to punish." Dispensing with such ponderous language, the left-of-center *Frankfurter Rundschau* (November 18) simply called the American sanctions offensive "the flop of the year."

The President's plunge into unilateralism was indeed a blunder of almost historic proportions. At stake was not so much the merit of the Administration's arguments as the wisdom of its policy. The battle against the pipeline had at least "focused the debate on the right issue," as *The Wall Street Journal* (November 16) put it. It forced East-West trade out of the nebulous realm of "economic détente" and/or domestic industrial policy into the arena of strategy where it properly belongs: how far should the Alliance go in strengthening the economy of its most powerful opponent?

Yet the means employed by the Reagan Administration clearly subverted the end, and, as a result, the price inflicted on the Alliance by far transcended any possible gain of the exercise. The pipeline had been in the making since 1976–77. By the time President Reagan escalated American sanctions on June 18, the various national contracts with the Soviet Union had long been signed and sealed. A sober look at the stakes and faits accomplis might have told the President that he was about to embark on a high-cost, low-payoff policy. To undo the gas link at that point would have required crushing the allies into submission, but such extravagant expenditure of power would have changed the nature of the war, turning its fury against the allies rather than against the adversary.

It was not the first time that the United States had to relearn a prime lesson of superpower politics: a great power can force its will on lesser allies only by means which would also fundamentally weaken them—and thus undermine the very raison d'être of alliance, which is the aggregation of collective strength. Damage was therefore, in the end, limited by American self-restraint, but, even so, the main effect was to place the Europeans "objectively" on the side of the Kremlin. Such an outcome is without example in the many tests of strength that have pitted ally against ally in the postwar era, and, for once, it made the most improbable dreams of Soviet *Westpolitik* come true. Which raises the most painful question of them all: Was the Reagan Administration, by now in the second year of its term, equipped to conduct a foreign policy commensurate with America's power and purpose in the world?

"We've heard a lot of protests from our European allies," said Vice President Bush when questioned about the transatlantic revolt. "I'm sorry. The U.S. is the leader of the free world, and under this

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Administration we are beginning once again to act like it."[3]

Yet that particular instance of leadership inflicted unprecedented damage on the very framework within which American authority must unfold. It was as if American power had been unleashed against itself—and then without any payoffs save a vague European commitment to "study" all the major issues and to go slow on new mega-projects in the meantime. Even worse, there remained the nagging suspicion that the escalation of June 18 was not wholly triggered by considerations of grand strategy. Instead, the second wave of sanctions may have been the ad hoc product of presidential pique and intra-bureaucratic powerplays. In the aftermath of the Versailles Summit, there was an angry President who felt betrayed by his allies. And then there were some key players in the Administration who seized on the President's ire to turn it into a hatchet against a detested Secretary of State. Alexander Haig had made the supreme mistake of counseling benevolence toward the allies, and in the process may have grievously misled them about his hold on the Administration's policy. The first victim of June 18 was thus neither Europe nor the Soviet Union but Alexander Haig. He resigned on June 25, appropriately enough over another alliance issue: Israel's siege of Beirut, which also played into the hands of Haig's rivals in the White House and the Pentagon.

The accession of George Shultz brought almost immediate relief to the fever-ridden Atlantic partnership. Unlike Alexander Haig, the new Secretary of State could negotiate successfully not only with the allies but also with his cohorts in Washington. In a fragmented, competitive policymaking system such as the Reagan Administration, that skill promised more than just atmospheric improvement—perhaps the beginning of a more cohesive, and hence more predictable, approach to friends and foes alike.

If the pipeline war of 1982 raised some vexing questions about the style of American leadership (Who speaks for whom? Are the ends worth the means?), it also exposed an almost philosophical failure on the part of the Europeans. Cleansed of their extravagant verbiage, the American demands were hardly excessive: if trade you must, do not subsidize our common opponent. Yet by going to the brink, the Europeans seemed to signal that they valued their ailing steel industries and their ambiguous relationship with the East more highly than the purposes of alliance. The Alliance will surely founder if such ordering of priorities transcends the episodic and turns into a matter of principle.

[3] As quoted in *The Washington Post*, August 27, 1982.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IV

Throughout 1982, Europeans were rattled by successive fits of American leadership which, to them, were often indistinguishable from sheer pugnacity. American resentments toward their allies, on the other hand, were summed up in the following count of indictments:

> What can America do to satisfy those who want equidistance from the two superpowers, who want defense (but not too much of it), who are more afraid of American sanctions than of events in Poland, more apprehensive about American than Soviet missiles, who want to be allies and mediators at the same time?[4]

Exaggerated or not, these charges rang true for many Americans who listened in disbelief to the sounds of silence emanating from Europe in the aftermath of the Polish putsch, the mass arrests and the undoing of Solidarity. Looking in particular toward West Germany, they contrasted the 300,000 who in October 1981 had turned out to protest NATO's plan to install American Pershing II and cruise missiles in Europe with the paltry demonstrations against martial law in Poland. West German Chancellor Helmut Schmidt, who was visiting East German Party Chief Erich Honecker when Polish troops moved to occupy their own country, denied for several weeks that the Soviets shared any responsibility for the coup. His predecessor Willy Brandt, speaking for the Socialist International, thought that "unsolicited opinion or remarks formulated in a hard way" would do nothing to "aid the people of Poland"—a declaration that was harshly rejected by the Socialist Parties of Italy and France.[5] Most stunning, perhaps, was the reaction of key sectors of the West German media—such as *Der Stern* and *Der Spiegel* which muster a combined readership of up to 10 million. Their "contemptible" editorials on Poland, as one European observer put it, "managed to convey both anti-American and anti-Polish feelings while avoiding any attacks on the Soviet Union."[6]

It did not matter that the Bundestag was the first Western parliament to condemn the Jaruzelski coup. Nor did it matter, given the realities of bipolarity in Europe, that the West as a whole had neither the means nor the mettle to reverse the facts established

[4] Walter Laqueur, "Poland and the Crisis of the Alliance," *The Wall Street Journal*, January 4, 1982.

[5] As quoted by John Vinocur, "West Germany Uneasy Over Poland," *International Herald Tribune*, December 22, 1981.

[6] Pierre Hassner, "The Shifting Foundation," *Foreign Policy*, Fall 1982, p. 13. In the United States, a similar case for acquiescing in the suppression of Poland was made by George F. Kennan on the op-ed page of *The New York Times*, January 5 and 6, 1982.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

by Jaruzelski's battalions and, long before them, by Stalin's armies. And certainly, the issue was not one of "dying for Danzig"—not even the Poles were suggesting violence in defense of Solidarity's historical victory at Gdansk on August 31, 1980

The real issue was a moral one, one that transcended the indispensable appeals for sober realism as well as the millions of food parcels dispatched to Poland from West Germany. Moral-political values such as those which underlie the common defense of the West do not lose their just claim because the realities of power forbid a crusade on their behalf. What nations say as distinct from what they do may well be the compliment that *raison d'état* pays to virtue.[7] But for all the dangers of hypocrisy, it is also a yardstick by which nations measure their purpose, commitment and self-respect and without which Realpolitik would degenerate into bottomless pragmatism. Perhaps moral indignation does come cheap, but in contrast to most of Western Europe (including Sweden and the Communist Parties of Italy and Spain), indignation seemed to be a rather dear commodity in West Germany when judged by its limited availability there in the aftermath of December 13, 1981.

Which raised the age-old question of "Whither Germany?" in a new guise. Traditionally, that question has always been posed in terms of Germany's presumed geographical destiny and/or dubious historical analogies such as Rapallo. In 1982, doubts focused on a novel combination of domestic disaffection (dramatized by the rise of pacifist nationalism)[8] and unregenerate détente-mindedness (exemplified by Bonn's fastidious refusal to confront the Soviet Union over Poland). Would the two trends converge in a program of *Ostpolitik über alles* and crack that iron-cast set of diplomatic priorities which had turned the Federal Republic into the pillar of the Atlantic order?

Theoretically, the suppression of Solidarity should have occasioned an agonizing reappraisal of détente's most cherished as-

[7] The gap between both was best exemplified by public and non-official reactions in France. On the one hand, there was a massive outcry against martial law in Poland, particularly on the part of the non-communist Left and organized labor. On the other hand, France signed her own pipeline contract with the Soviet Union only a few weeks after the coup, accompanied by a memorable justification from French Prime Minister Pierre Mauroy: "One must not add to the Polish drama the suffering of the gas consumers in France." As quoted by Leopold Unger, "Will the West Disgrace Itself in Poland's Next Crisis, Too?," *The Washington Post*, December 12, 1982.

[8] For a thought-provoking critique of the German eco-peace movement from a leftist vantage point, see Wolfgang Pohrt, *Endstation: Über die Wiedergeburt der Nation*, Berlin: Rotbuch Verlag, 1982. In a series of brilliant essays, the author seeks to make the point that the movement is neither progressive nor internationalist but in fact a throwback to preindustrial, predemocratic—and hence anti-Western—modes of thinking and believing, with unwitting ideological affinities to prewar German fascism.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

sumptions. West Germany's vision of détente was always far more ambitious than the expectations of its American and European allies. The stabilization of the military milieu through arms control and the ratification of the territorial status quo through the Eastern treaties was in fact to produce a status quo-plus. Secure in its possessions and lured by the steady promise of economic subsidies, the Soviet Union would loosen its heavy grip on its hapless vassals, opening the way toward the progressive reassociation of the two Germanies and peaceful change in Eastern Europe.

As the events in Poland showed, the dialectic of détente tends to operate in opposite, and perverse, fashion. Instead of encouraging *stable* devolution, détente triggered the kind of change which ended in renewed repression. Moreover, the forcible recentralization of Poland by proxy yielded yet another bonus for the Soviet Union: instead of reexamining their hopes and strategies, many West Europeans insisted that nothing had really changed. Indeed, like the horse in Orwell's *Animal Farm* ("I shall work harder"), the West Germans were spurred into the redoubling of their détente efforts so as to protect their relationship with the German Democratic Republic and Eastern Europe at all costs against the intrusion of the world at large.

This was not neutralism. Indeed, if the polls are a guide, the West Germans remain consistently and strongly pro-American and pro-NATO.[9] So far at least, the populace at large has proven remarkably immune to the strident demands of the peace movement. From an American perspective, however, the problem is that the West Germans (and for that matter, the West Europeans) want the best of all possible worlds: American protection and American troops, yet freedom of action with respect to their national and regional concerns plus a veto power over American policy in the superpower arena, including strategic arms and arms control.

This combination of insulation cum interference is a tall order in the best of times; by 1982, it became a psychological as well as political impossibility. For the West Germans (and the Europeans) insisted on a more generous measure of insulation from the vagaries of American policy precisely at a time when their patron power had launched its fitful attempt toward reversing the long decline from

[9] A poll by Gallup International in February 1982 revealed that 73 percent of West German respondents had a "favorable" opinion of the United States as opposed to only 46 percent in Britain and 55 percent in France. On a "better red than dead" scale, 74 percent of the West Germans thought that it was "better to fight than to accept Soviet domination." That figure was only topped by the British (75 percent) but remained higher than the French (57 percent) and the Italians (48 percent). "The U.S. and Europe: A Poll," *Newsweek* (European edition), March 15, 1982. (The American edition of *Newsweek* did not carry that poll.)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

power that was one of the legacies of Vietnam. In the process, the United States has asked more, not less, of its allies. "Yet in their reluctance to afford such support," argues Robert W. Tucker in a perceptive essay, "they are increasingly found an impediment to the restoration of America's power and position, whether in Europe or in the world beyond."[10]

Herein lies the root of all Euro-American troubles since Afghanistan and the advent of the Reagan Administration. And, given their peculiar geographical handicaps and historical aspirations, the West Germans were destined to play the leading role in that drama—both as protagonists and prime victims. In the face of America's turn toward militant neocontainment, the Germans were condemned to defend their hefty stake in détente more vigorously than any other European power. Yet, in spite of their impressive strength, the Germans were least equipped to sustain that struggle unscathed.

Too vulnerable to really defy their American protectors, they were also too weak to shield the European center against the pulls and pushes of renewed confrontation between the two superpowers. That task became even more improbable once France, the Federal Republic's closest ally in Europe, recognized that Gaullism without Germany, i.e., without an intact glacis to the East, would be reduced to mere posturing. Even with a Socialist government in power, it was only logical that France would link hands with the United States by taking up the cause of NATO missile modernization while reminding the ruling Social Democrats in Bonn of their responsibilities for the restoration of the nuclear balance in Europe. It was thus François Mitterrand who, with a worried eye on his ideological *confrères* across the Rhine, publicly supported NATO's December 1979 "two-track" decision on the deployment of Pershing II and cruise missiles if arms control talks with the Soviets led nowhere.

And it was no less ironic that, by 1982, Helmut Schmidt—the prime mover behind the Brussels decision—had come to deny paternity for an idea which he himself had spawned in his legendary speech at the International Institute for Strategic Studies five years earlier. In London he had warned about the growing nuclear disparities on the Continent which would be "magnified" by parity codified on the SALT level. Hence he urged theater-level talks "parallel to the SALT negotiations" to deal with the mounting menace of Soviet SS-20s. Yet in the absence of negotiated con-

[10] "The Atlantic Alliance And Its Critics" in Robert W. Tucker and Linda Wrigley, eds., *The Atlantic Alliance And Its Critics*, New York: Praeger: 1983, pp. 159–160.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

straints, "the Alliance [had to] be ready to make available the means to support the present strategy."[11]

Five years later, Helmut Schmidt must have rued the day when he had unwittingly helped to launch an avalanche of protest which would eventually drive hundreds of thousands into the streets and squares of Western Europe's capitals—protests which were fueled by statements from members of the Reagan Administration on the feasibility of fighting a limited nuclear war in Europe. In the spring of 1982, the Chancellor was barely in control of his own Social Democratic Party. That the "two-track" approach was not unhinged in favor of a single (unconditional negotiation) track during the SPD's April 1982 congress in Munich was perhaps due only to a parliamentary maneuver. The Executive outflanked an incipient revolt of the rank-and-file by asking for the postponement of the missile debate until the fall of 1983. The SPD leadership may also have drawn some succor from the fact that negotiations on INF (intermediate-range nuclear forces) had at last been inaugurated in Geneva. And those talks at least held out the theoretical prospect of a zero solution as defined by President Reagan on November 18, 1981: zero Western deployment if the Soviets scrapped some 600 SS-4, SS-5 and SS-20 missiles.

There were some paradoxes here to be pondered by future historians of Western society. Cruise and Pershing II missiles were not being foisted onto the Europeans by the United States (if anything, the reverse had been true since 1977), yet the protesters chose to denounce the buttressing of extended deterrence as an American conspiracy against Europe. The Soviets were adding to their SS-20 arsenal at the rate of one per week, yet the more threatening that potential, the more strident grew the protests against Western counterdeployment. *Angst* became the badge of a superior moral sensibility, and the popular imagination yielded willingly to the new poetry of mega-death (in Germany, Jonathan Schell's *The Fate of the Earth* became an instant bestseller), as if the mere contemplation of the nuclear inferno would miraculously transport the world into a permanent, unarmed peace.

Perhaps it was the personal tragedy of Helmut Schmidt that he could not achieve against his own party what his finely honed instincts for the requisites of military stability had taught him, that he desperately clung to an equipoise between Germany's Western necessities and its Eastern mission when the times imposed a choice between priorities. The Federal Republic was simply too frail to act

[11] On October 28, 1977, as reprinted in *Survival*, January/February 1978, pp. 3–4.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

as a bridge and a brace.

After he had outlasted three American and two French presidents in office, Helmut Schmidt was ousted from the chancellorship on October 1. He was abandoned by his Liberal (FDP) coalition partner on the issue of fiscal restraint, but in a more profound sense the passage of power to Helmut Kohl's Christian Democrats (CDU/CSU) may have marked the end of an era in West German politics. After 13 years of Social Democratic rule, both the party and its policies appeared exhausted: economic crisis had blocked the relentless expansion of the welfare state, and the Alliance crisis had dramatized the limits of the "Germanization" of West German foreign policy.

Domestic change in Germany—if ratified in the elections set for March 1983—suggested that the Atlantic crisis (which is the German-American crisis writ large) may have leveled off.[12] Unlike the Social Democrats who were drifting toward the derailment of NATO's "two-track" decision on missile modernization, Kohl's Conservatives have claimed to have no trouble with the installation of INF once the magic threshold year of 1983 passes without a tangible agreement on arms control. The new Chancellor has repeatedly vowed that he will move toward deployment in that case.[13] And if the West Germans deploy, there is a realistic chance that most of the others will follow. On the other hand, Kohl will also have to deal with popular protest, and therefore he will continue to push hard for successful arms control negotiations in Geneva.

Secondly, even if national interests do not change as rapidly as regimes, the Kohl Government will calculate the costs and benefits of Ostpolitik more closely than its predecessors. For domestic reasons, the Social Democrats were doubly chained to Ostpolitik. Having used it as a violently contested vehicle toward tenure 13 years ago, they could hardly repudiate Ostpolitik without courting political suicide. Hence, they were condemned to demonstrate its success in perpetuity. Moreover, as the party of détente, the SPD understood correctly that it could only flourish in a European setting where the Soviet threat looms low and the spirit of arms

[12] At the end of the year, the polls foresaw a 51 percent majority for the CDU/CSU but they also showed that the SPD had passed its electoral nadir. The March 1983 elections thus offered the remote chance of a stalemate—with the Conservatives just falling short of an absolute majority, the Liberals eliminated from the Bundestag, and SPD and Greens unable to form a coalition because of irreducible ideological differences. Given the West German Basic Law's bias against "unconstructive majorities," such an outcome would spell a CDU/CSU minority government ruling through the sufferance of the SPD and, presumably, the postponement of missile deployment in Germany *sine die*.

[13] See his interviews with *The New York Times*, November 11, 1982, and with *Time*, November 15, 1982.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

control and cooperation legitimizes the Left. By contrast, the Conservatives have always profited from an anti-communist consensus; they will thus hardly fight tooth and nail for a détente that benefits their domestic rivals.

V

The coming to power of the Christian Democrats in Germany was part of a more general swing to the Right in Western Europe which suggested that the continental drift between Europe and the United States might have exhausted itself in 1982. In the Netherlands and Denmark, left-of-center governments were replaced by right-of-center coalitions in September; in Norway the Conservatives had captured power in 1981. In France, the Socialist government of François Mitterrand swung sharply right in its economic policy after the second devaluation of the franc: away from lavish deficit spending (resulting in inflation and capital flight) and toward a policy of fiscal and monetary restraint that was much closer to Thatcher and Reagan than to Keynes. In the transatlantic arena, Paris presented itself as a model ally in parts: strident in his opposition to American demands on the pipeline and Eastern trade, Mitterrand demonstrated a rare spirit of communion on matters of nuclear strategy (especially with regard to INF deployment) and the military balance.

The Center-Right trend was only broken on the periphery where, as in Greece (1981) and in Spain (1982), the electoral verdict brought left-wing governments into power. Still, the Socialist government of Felipe González represented a centrist orientation (that did not seriously challenge Spain's NATO membership). And in 1982, the Papandreou government in Greece acted far more soberly than its florid rhetoric had suggested: it did not move to detach itself from the Alliance, nor did it close American bases in Greece.

In Britain, ideological polarization continued apace—with the Labour Party, comfortably free from the responsibilities of rule, drifting ever closer toward unilateral nuclear disarmament. Yet in spite of mounting unemployment (over three million in 1982), Margaret Thatcher's electoral fortunes soared miraculously—thanks to Argentina's General Galtieri. Argentina's occupation of the Falkland Islands in April transformed England almost overnight. Labour leader Michael Foot's speech in the House of Commons on April 3 was almost indistinguishable from Churchill's finest at the outbreak of World War II, though by the middle of May his party was less than stalwart. A society notorious for its attachment

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to tea breaks and strikes dispensed with both in order to equip a requisitioned merchant fleet for South Atlantic duty in less than two weeks. An ex-imperial power that had been edging toward a civilian and European identity for 20 years showed that it was still capable of a global vocation—even in the face of (initial) impartiality on the part of the United States and mounting opposition from the European Community once the fighting had started in earnest.

Britain's determination should have given some succor to the Reagan Administration, but in fact it produced ambivalence, confusion—and something of an object lesson in legitimate national differences. It is one thing to proclaim universal vigilance in defense of Western interests; it is quite another when global principles clash with regional imperatives—as in the case of the United States when it had to balance its hemispheric ties against loyalties toward its second oldest ally. In the end, Washington threw its weight behind Britain, but only after some noisy disputes between the Administration's "Latins" and "Europeans." There was a moral here for both Europeans and Americans. When the chips were down, the United States did choose its *European* ally. On the other hand, Washington was also confronted with the salutary need to adjust conflicting interests—something it has not viewed with avid sympathy whenever the Europeans faced their own (East European) backyard.

If in Europe the political center of gravity shifted rightward (presumably everywhere in response to the end of public affluence), the United States shifted away from the Right, suggesting a greater convergence of transatlantic moods than at any time since 1979–80. By autumn, the Administration had trimmed its ideological sails while pretending to "stay the course." Responding reluctantly to the world at large and the gathering peace movement at home, Washington began to act as if arms control (both strategic and European) was no longer an insult to the doctrinal dignity of Reaganism.[14] The message of the midterm elections was essentially ambiguous—a warning rather than a repudiation, as manifested by the net loss of 26 Republican House seats. Yet the various congressional votes against the MX strategic missile in December suggested that the nation was losing patience with an arms procurement policy that equated a lavish spending spree with the restoration of usable military strength. Perhaps the MX message was even more profound, betraying an incipient revolt against a strategic posture which combined highly vulnerable basing modes with first-strike

[14] The President confirmed this in his press conference in early January when he declared that his chief negotiator for the Strategic Arms Reduction Talks "believes that within a year we have the possibility of agreement." *The New York Times*, January 6, 1983.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

capabilities. This looked like an unacceptable departure from the time-honored principles of crisis-resistant deterrence, which rests on both sides' ability to strike back if one strikes first.

Events in the arms control arena at the end of 1982 also suggested that, after many months of maneuvering for political advantage, the United States and the Soviet Union had begun to focus on the substance of INF negotiations. In December, the Administration went public with an informal offer on the part of the Soviet Union—the gist of which was confirmed in a speech by Soviet party chief Yuri Andropov on December 21. The offer was summarily rejected by the Administration as an attempt to maintain Soviet superiority. The Soviet Union was apparently ready to reduce its 600-odd Euromissiles to 262 by 1990, to "earmark" 100 of these for the Far East, to include 162 French and British missiles, and thus to arrive at a "balance" which would exclude the deployment of American Pershing II and cruise missiles.

Whether reduction meant "withdrawal" or "dismantling" was left purposely vague. Indeed, subsequent non-official "clarifications" only referred to the relocation of SS-20s behind the Urals. Even the physical destruction of SS-20s would still leave the Soviet Union with an overwhelming edge in warheads because of the multiple warheads of the SS-20s (buttressed additionally by its superiority in shorter-range rocketry and frontal aviation). Yet the Andropov offer at least indicated how far the Soviet Union had moved in response to NATO's December 1979 decision to deploy INF unless balance was achieved through negotiated reductions. In October of that year, the Soviet Union had threatened to refuse even negotiations in retaliation against NATO's upcoming Brussels decision.

Movement on arms control at least made life easier for those European governments beset by peace *frondes* who had successfully depicted the Administration as a coterie of warmongers bent on driving the Soviets to their knees. Also in 1982, both sides of the Atlantic inched closer on the issue of the Soviet Union which had made tempers flare and fray since the invasion of Afghanistan in December 1979. Perhaps it was sheer exhaustion which inspired accommodation; certainly there was hope which sprang anew in the face of the new Andropov leadership.

And then there was General Jaruzelski. Having undone Solidarity with an astounding economy of force (which does not augur well for fashionable theories about the imminent collapse of the Soviet empire), he presented the West with welcome relief from its Polish travails by declaring the "suspension" of martial law at year's end

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

(while maintaining tight controls on the population). Relegating their barely contained war over the pipeline and East-West trade to a series of review studies, the allies, meeting in Brussels in December, proclaimed that they stood ready to "improve relations with the member states of the Warsaw Pact" and to rebuild "international trust."

The final sign of improvement came from the monetary arena. Throughout 1982, the Europeans had never ceased to attack exorbitant American interest rates and the overvalued American dollar as prime threats to global recovery (as they had attacked America's freewheeling monetary policy and an undervalued dollar in the years before). During the last third of 1982, at least the Federal Reserve Board came to the rescue of the Europeans (and the domestic economy, where unemployment had topped ten percent) by drastically easing credit and interest.

Given the United States' overwhelming position in the international monetary system, the Federal Reserve's moves lightened the task of European governments struggling to reduce domestic interest rates in the face of massive capital outflows attracted by higher returns on the other side of the Atlantic. And by December, even faithful Reaganites like Treasury Secretary Donald Regan proved ready to temper laissez-faire with a judicious admixture of intervention in the world's monetary system. During their secret emergency meeting at Kronberg (near Frankfurt), the governments and central bank chiefs of the United States, France, Germany, Britain and Japan agreed to ease strains on the international banking system by increasing the lending power of the International Monetary Fund (IMF). Before the Kronberg meeting, the United States had been alone in resisting such quota enlargement. At Kronberg, the United States also hinted that it might henceforth be ready to control wildly fluctuating exchange rates in cooperation with its allies.

VI

Conceivably, future historians may look back at 1982 as the year when the transatlantic crisis began to de-escalate—at least in tone, if not in substance. Yet as the West settled down to live with its differences and compromises toward the end of 1982, while holding its breath over the approaching dénouement of the INF negotiations, two new irritants began to loom over the horizon: protectionism and congressional pressure for the reduction of American troops in Europe.

Protectionism, as every first-semester student of the "dismal science" knows, does not increase a country's welfare. At best, it shifts employment to protected groups (e.g., carmakers) at the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

expense of non-protected groups (e.g., longshoremen who unload imported cars) while diminishing the welfare of the least organized sector of society (i.e., consumers of cars). And if there is an international chain reaction of retaliation, the entire country is worse off than before. Yet the recurrent attacks of protectionism pay eloquent homage to the permanent temptation of snake oil in political affairs—especially during a secular, world-wide recession.[15]

Fortunately, in the process of overall transatlantic fence-mending, and aided by a judicious admixture of mutual deterrent threats, Europe and America once more agreed to postpone their war over soybeans, butter and wheat. "First of all," proclaimed Secretary of Agriculture John Block after a high-level crisis meeting in Brussels in December, "there will not be an agricultural trade war."[16] Negotiations continued into 1983—with French President Mitterrand calling upon Europe to "defend its internal market," with German Chancellor Helmut Kohl insisting that "Europe cannot shield itself" from outside goods, and with the United States intimating that it stood ready to "dump" agricultural surplus products in the world market.[17] The ministerial meeting of the GATT in Geneva in late November had also sought to cope with the continuing threats of protectionism. Although no great progress was made in eliminating further trade barriers, there was an understanding "to resist" new pressures for protectionism.

The threat to cut the U. S. military presence in Europe was more subdued—and more serious—than the "Mansfieldism" of a decade ago. The annual Mansfield resolutions of the late 1960s and early 1970s had merely sought a "sense of the Senate" on the "substantial" reduction of U.S. troops on the Continent. In October 1982, however, a Senate appropriations subcommittee voted 12 to 1 to reduce U.S. troop strength by 23,000 men (although the final measure merely froze U.S. forces at current levels). That little-reported move, led by Assistant Senate Majority Leader Ted Stevens (R.-Alaska), "suggested that a large American ground commitment will come under public attack soon, and perhaps this time successfully."[18]

If so, America will end up punishing Europe by weakening herself. It is far cheaper to stay in Europe and to *deter* a third war

[15] Cf. Senator Jesse Helms, "The EEC Can't Plow Us Under," *The New York Times*, December 12, 1982.

[16] As quoted by *The New York Times*, December 11, 1982.

[17] As quoted in *The New York Times*, December 5, 1982, and December 11, 1982.

[18] Eliot A. Cohen, "The Long-Term Crisis of the Alliance," *Foreign Affairs*, Winter 1982–83, p. 340. For a critique of the move, see Jeffrey Record, "Keeping Troops in Europe," *The New York Times*, December 13, 1982.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

for the Continent than to return there in order to fight it. It makes little sense to deplore the decline of American strength and then to cut it in America's most important glacis. Although understandable as an attempt to prod the Europeans toward greater conventional efforts on their own behalf, the Stevens initiative came at a particularly unfortunate moment.

A reduced level of American NATO contingents will inevitably suggest that the United States is preparing to lower the nuclear threshold—the point at which the Alliance must "go nuclear" to hold off invading Warsaw Pact armies. Increasing the dependence on the early use of nuclear weapons, such a move would yield additional ammunition for those European critics who are already denouncing INF deployment as a heinous American plot to keep any nuclear exchange restricted to the Continent. Surely, fewer American troops in Europe will not lighten NATO's task of postponing the "first use" of nuclear weapons in case of an attack.[19]

Also, in today's Atlantic climate, where mutual distrust has risen relentlessly, a move to undermine the American *military* commitment in Europe will surely be understood as a move to cut America's *political* commitment to Europe. And those who worry about Europe's imperfect allegiances might do well to remember that it was precisely "Mansfieldism" that acted as one of the driving engines of Ostpolitik from 1969 onward. It was the perception of America's weakening commitment to Europe which prompted then Chancellor Willy Brandt to seek a measure of reinsurance in Moscow.

As I have argued in these pages before: "Even if the Europeans were to contribute nothing to the common defense, it would still be in America's own deepest national interest to safeguard the independence of Europe."[20] And it is not clear that the Europeans have in fact been so remiss in their Atlantic duties. As NATO commander General Bernard W. Rogers has pointed out, "in the 1970's European spending for defense increased at a rate of two percent per year while American spending decreased by nearly that figure." In war, "90 percent of ground forces and three-quarters of the air and maritime forces initially committed to it would be West European."[21]

[19] For an American critique of "first use," see McGeorge Bundy *et al.*, "Nuclear Weapons and the Atlantic Alliance," *Foreign Affairs*, Spring 1982. For a German counter-critique, affirming the indispensability of the threat of "first use," see Karl Kaiser *et al.*, "Nuclear Weapons and the Preservation of Peace," *Foreign Affairs*, Summer 1982, as well as Josef Joffe, "Retain First Use," *The New York Times*, June 16, 1982.

[20] Josef Joffe, "The Enduring Crisis," *Foreign Affairs*, Spring 1981, p. 847.

[21] Bernard W. Rogers, "The Atlantic Alliance: Prescription for a Difficult Decade," *Foreign Affairs*, Summer 1982, p. 1148.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

VII

Many thoughtful observers have proclaimed the passing of that halycon era in European-American relations (roughly a quarter-century from 1947 to 1972) when American protection was assured, when Europe was either too weak or too contented to challenge its transatlantic patron, and when both—as during the period of détente—at least managed to move in parallel if not always in tandem. Much has changed, to be sure, but not the basics.

Europe is still not ready to provide for its own defense against an overweening superpower on its Eastern edge. Nor is it clear whether the old Continent could uphold its internal order without the psychological and physical presence of the United States. That Western Europe has become a "security community" (in Karl W. Deutsch's sense of the term) is in large measure the doing of the United States. And bipolarity, regularly consigned to oblivion, has a way of reasserting itself—even against our own will—as the suppression of Poland has shown.

The United States, on the other hand, might well be able to dispense with Western Europe on pure security grounds because, as a nuclear superpower, it no longer needs allies to ensure its physical survival. Yet great powers have always defined their security in wider terms—in terms of a compatible international order beyond their own borders. Such larger vision does require allies and a commitment to their well-being.

If so, both sides of the Atlantic might well draw some lessons from the protracted crisis. Ideally, the Europeans might begin to accept that their maximum claims vis-à-vis the United States—insulation plus interference—add up to a psychological as well as political impossibility. Disintegration will surely continue in an Alliance where the smaller members maximize their own freedom while compressing their guarantor's margin of maneuver; where they insist on full protection but minimal risk; where they will the end, which is the credibility of American power, but not the means, which entail the reassertion of American power.

Ideally, the American public and the American Administration would begin to accept that America's is a unique task, that allies are no substitute for American power and purpose in the world. The counterpart of great strength is a unique responsibility for the global order, and that burden cannot be neatly parcelled out to lesser allies according to GNP ratios or population counts. Ideally Americans would also come to accept that differences in history and geography, in power and vulnerability, make for differences in

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

interest which have a legitimacy of their own. That is true for all of Western Europe, but the heart of the matter has always been Germany—the prize, the pivot and the pillar of the European order. In isolation, the Federal Republic would be both too weak and too strong—too weak to resist the power of the East, too strong to submit to domination from the West.

Europe has not fared well when Germany was caught in the crossfire between both, and neither has Germany. Thus the most important lesson of the early 1980s merely echoed some far older insights: constraint must be balanced by community, and that in turn requires a framework where the Federal Republic can pursue its national needs without imposing itself as the ultimate arbiter of East-West relations. In the end, the larger lesson for both Europe and the United States was as trite as it was profound: unless they restore a sense of balance and moderation to their mutual affairs, unless they resist the growing temptations of neutralism and unilateralism, the most benign alliance in history will continue to unravel.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Michel Tatu

U.S.-SOVIET RELATIONS: A TURNING POINT?

Is an East-West policy necessary, and what should it be? Such a question would seem to go without saying and, in the eyes of countless academics and other observers, requires an affirmative response. More vigorously than ever, they are demanding from their governments, and, above all, from the United States, a "clear," "coherent," and "global" East-West policy. The question will become still more pressing in 1983, which will see the playing out of one of the most difficult matches in the game of nuclear arms negotiations since the beginning of the cold war, after the close of a year marked by two major events. In Moscow, the death of Leonid Brezhnev and the rise to power of Yuri Andropov may offer an opportunity for a new approach to old problems, and open up new perspectives on Soviet behavior. In Washington, in 1982, we have seen Ronald Reagan's policies run into their first serious problems in two areas that are supposed to be the main pillars of his "doctrine" regarding the Soviet Union: the philosophy of trade with the communist nations and the rearmament program.

One must always be wary of abstract doctrines and, in particular, of the terms in which they are expressed. Politics is the art of the possible, and the labels which seem most simple and seductive are those which correspond the least to reality. The 1950s policy of "rollback" was merely a slogan: communism was in no way rolled back during this period. The policy of "global containment" which succeeded it was no more aptly named, since communism was contained neither in Cuba nor in Vietnam. On the contrary, Soviet influence was "rolled back" in areas where such an evolution was scarcely expected, for instance, in Egypt and Somalia. Moreover, does not the use of such simplistic slogans, rather than "defining" a policy, lead to the creation of a "mission impossible" and the inevitable failure to attain the stated goals?

Its first result will always be to release a wave of "intellectual" criticism, criticism encouraged of course by Moscow, which thereby strengthens its position vis-à-vis its partner and rival before the

---

Michel Tatu is an editorial writer for *Le Monde* in Paris, and has been its correspondent in Moscow and Washington. He is the author of *Power in the Kremlin* and *Le Triangle: Washington-Moscou-Pékin et les deux Europes*, among other works.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

latter has even begun to translate its policy into action. Thus, "linkage" between U.S. behavior toward Moscow and some more or less aggressive action by the U.S.S.R. is a fact of life; it is obvious that one cannot make an abstraction of Soviet behavior in Afghanistan or of its menacing presence in Poland, even for the purpose of arms control negotiations. But it is enough that the word "linkage" be mentioned—and, in due course, given the force of doctrine—for its critics to make any application of the concept more difficult.

To some degree Ronald Reagan's policies escape this criticism because they have avoided, despite their simplistic appearance, doctrinaire labels and slogans. No "buzz word" sums them up, unless one wants to attribute solely to President Reagan the appetite for a rearmament that was in fact begun by his predecessor. And the strongly anti-communist ideology that impregnates his rhetoric sits well with his equally strong pragmatism: not only has this "cold war" President resumed grain sales to the U.S.S.R. and stimulated a marked growth in U.S.-Soviet trade, but he has maintained, throughout 1982, and despite the replacement of his Secretary of State and the changing of the guard in the Kremlin, about the same level of dialogue with the other superpower as did President Carter in 1978, the corresponding year of his mandate.

This said, it is still the doctrinaire part of Reagan's policy that has created difficulties, and not just because it contradicts some of his actions. Where their goals are concerned, Reagan's philosophy, and that of his advisers, is not fundamentally different from that of previous administrations. To oversimplify, the desired end is always (a) to avoid war or aggression by deterrence; (b) to contain communist expansion; (c) if possible, to convert to a peaceful end a system deemed fundamentally evil and aggressive. Even if this last objective has not yet been stated officially, it lies at the back of the American mind, just as the elimination of "imperialism" is the ultimate objective of Soviet policy. And, again like its predecessors, the Reagan Administration is trying to steer the Soviet leadership in a direction more favorable to Western interests.

But while previous administrations, that of Johnson as well as those of Nixon and Carter, hoped to achieve this end through a combination of inducements and sanctions, though more often than not preferring the carrot to the stick, the Reaganites have placed their emphasis on the stick, to the point where they have seen it as the only effective tool. In this fundamentally pessimistic view, the problem is not to try to create a "positive" attitude on the part of the Soviet leadership, an attitude which does not in fact exist, but

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to demonstrate to this leadership, doves and hawks alike, that choosing armaments and aggression will only lead to an impasse and that, therefore, the Soviets must change their tactics if they want their regime to survive.

Unlike the policies of earlier Presidents, which played on the nuances of U.S.-Soviet relations, the Reaganites' doctrine goes straight to the heart of the matter: the military-industrial complex of the U.S.S.R. This approach seeks less to discover a hypothetical good will on the part of the Kremlin than to force it to change its course; less to entice Soviet leaders with the advantages of cooperation than to back them into a corner; and using the very weapons—armaments and propaganda, for instance—with which the Soviets have chosen to do battle.

Such a reaction is only normal after a decade in which the other tactic—inducement—was used on a grand scale and led only to the well-known disappointments of "détente." The Soviet appetite for weapons and the resumption of the arms race in Europe called for a global response. That response had been initiated by Jimmy Carter, but the former President was somewhat inhibited by his previous emphasis on détente and peaceful inducements—an approach embodied by Secretary of State Cyrus Vance. While Carter's human rights policy was used at the beginning of his term as an offensive instrument against the Soviet system, this pressure was not maintained consistently. Moreover, Carter's about-face on deployment of the neutron bomb and on the potential significance of the Soviet brigade in Cuba gave the wrong signal to Moscow and deprived his policy of the needed credibility.

The Reagan response took on added strategic importance from the fact that the Soviet Union, at the start of the 1980s, was at a crossroads: having lost the bets Khrushchev made as to standard of living and ideological attraction, it staked everything on winning the arms race and on what it calls "changing the correlation of military forces to the benefit of socialism." If this last wager were to be lost, if America manages, through economic and technological power, to impose on the U.S.S.R., as Reagan has warned, an arms race "that you cannot win," what power and legitimacy would the Soviet leadership retain?

This hard line also has the advantage of strengthening the global deterrent against the periodic challenges favored by the Kremlin in the past. No one will ever know whether the Kremlin's moderation in the Lebanese war, its relative inactivity throughout 1982 in Africa, the Middle East and even Central America, was due to the "macho" stance of the White House, or to other causes. Nor can

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

anyone know whether the United States would back its warnings with corresponding action should the need arise, since it has not yet been put to the test. But it is a fact that, in his two years in the White House, Ronald Reagan has not been confronted with the kind of serious East-West challenges and crises faced by his predecessors—with the exception of the Polish crisis, which was not invested with the same character of international aggression as was, for example, the invasion of Afghanistan.

Before examining the obstacles to Reagan's East-West policy, however, it seems appropriate to point out an initial theoretical difficulty. Despite the simplicity of the Reagan doctrine, it is not without its contradictions. There are two kinds of Reaganism: one is pessimistic, exclusively American, sees only the dangers of Soviet aggression and preaches retaliation "on all fronts," without placing much emphasis on what is happening in Moscow; for this school of thought, even if it is not expressed in these terms, the only satisfactory solution is the restoration of total American and Western supremacy in the face of an adversary that will always be evil incarnate. But there is another, "Sovietologist," school, which is more optimistic and which looks at the great economic, institutional and ideological vulnerability of the Soviet sysem and feels that it is not far from collapse.

If the two schools combined to advocate a firm policy toward the U.S.S.R., the second would have only a small step to take before conceding that such firmness would be the "final straw" precipitating the fall of the Soviet regime, or at least its profound transformation. For the one, the arms race is a necessary response to Soviet endeavors, a vital contribution to protecting U.S. interests in changed circumstances. For the other, it is the stage of history that will aggravate the internal contradictions of the Soviet system and reveal its technological weaknesses while asphyxiating its economy.

But this second school is divided, in its turn, between those who fear that the Kremlin will seek a solution to its internal problems through external adventures, and the "true optimists" who think it will finally turn to reforms and transform the system into one that is more acceptable. One senses these contradictions, for example, in Richard Pipes, the highly competent Soviet expert of the Reagan team recently returned to Harvard, who insists, in turn, on both the perversity of Soviet intentions and the enormous frailty of its political and economic system. Without disputing either point, whether the emphasis is placed on one or the other has certain consequences and there may be an unexpected "boomerang effect" on a psychological level. To depict the Soviet leadership as military

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

chessplayers, drunk with power, and to insist on the overwhelming might of their military apparatus, galvanizes those who are already convinced, which in turn can help the Administration to garner the necessary votes for an increased military budget. But it can also frighten the timid and accentuate the "Finlandization" of opinions, especially in Europe.

Conversely, emphasizing the weaknesses and vulnerabilities of the Soviet empire is reassuring, but it is also demobilizing: what is the use of making new sacrifices to strengthen Western military forces if the Russians are losing anyway? In the extreme, the idea of backing the other superpower into a corner can give rise to feelings of understanding, even of sympathy, toward the Soviet Union, especially if one fears irrational or adventurist reactions on its part. From the point of view of a large segment of Western opinion, the idea of victory over the U.S.S.R., even in the name of democracy, can seem shocking, or at least less noble than that of coexistence, the cooperative compromise which should be sought among different members of the international system, including the "socialist system."

This contradiction gives a foretaste of the difficulties involved in carrying out Reagan's doctrine for East-West relations. No foreign policy is valid, no matter how well-founded its intentions, unless the economy of the country is strong enough to provide the means with which to implement it on the one hand, and unless it is supported by domestic and allied public opinion on the other. And it is here that the greatest obstacles have been encountered in the two main areas to which Reagan's policy has been applied: the arms race and East-West trade.

II

Reagan's arms program and the important budgetary sacrifices it implied were bound to encounter difficulties as long as the economic recovery had not been achieved and the deficit, therefore, could not be absorbed as the President had promised. The controversy in December 1982 in the House of Representatives over the financing of the first mobile land-based MX missiles was a strong sign that this problem could become acute in 1983. To be sure, the controversy on this weapons system is confusing because of disagreements over the basing mode of the missile, which overlap other considerations. In fact, the House did approve further research and development of the MX. But an important minority objects to the missile itself, considering that at the present stage land-based weapons are of doubtful value and not affordable at a time of economic

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

difficulties. Stronger resistance to the more controversial portions of the strategic arms program announced in October 1981, such as the B-1 bomber, is also predictable.

But other obstacles result from what the Europeans—at least those who do not sympathize with the "peace movement" in Europe—call American "pacificism." An undoubtedly exaggerated term, considering that most proponents of a "freeze" on nuclear weapons, like the advocates of "no first use" of nuclear weapons, do not consider themselves pacifists. But opposition to military programs plays no less a role in the United States than does the pacifist movement in Europe.

While it is not within the scope of this article to examine the ramifications and internal components of the "pacifist" movement, it is important to judge the extent to which its blossoming in the spring of 1982 influenced international relations. Curiously, American "pacifism" did not reinforce European "pacifism" as much as one might have expected. The latter has seemed less active in 1982 than in 1981—awaiting perhaps a resurgence in 1983—for the simple reason that its motivations and objectives are far different from those of American "pacifism." The Europeans are concerned with the deployment in their countries of intermediate-range missiles (INF); American proponents of a nuclear freeze include these missiles in their proposals but do not seem inordinately preoccupied by the military imbalance in Europe.

On a broader level, they both have the pacifism of their fear. As opposed to the Americans, for whom the only real risk is that of nuclear war reaching their territory, and who therefore try above all to raise the nuclear threshold as high as possible (even if this diminishes the value of nuclear weapons in deterring peripheral conflicts), the Europeans seek to avoid both nuclear war and conventional war, destruction and invasion. European pacifists call not only for arms reduction, but also for a climate of peace, that is to say cooperation with the U.S.S.R. They are also anti-American, since the weapons they do not want deployed are American and are, in their eyes, imposed by Washington on an unwilling Europe. American pacifism is not anti-European, it is simply indifferent to Europe, as it is to the Soviet Union. Its arguments remain independent of the state of U.S.-Soviet relations and rest on the premise that "enough is enough."

On the other hand, the anti-military movement in the United States has had a direct effect on the conduct of the American and Soviet governments and on their relations with each other. Reagan's November 18, 1981, "zero option" proposal—dismantling of Soviet SS-20s, SS-4s and SS-5s in return for no deployment of U.S.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cruise and Pershing II missiles—was already a response to the European peace movement, whose demonstrations, several weeks earlier, culminated in cries of "No Pershing, no SS-20" in most of the European capitals.

Similarly, his proposals, on May 9, 1982, for "deep cuts" in central strategic weapons were designed to pull the rug out from under the "freezers." While they spoke of leaving existing weapons in place, Reagan responded with a plan for radical reductions in the weapons arsenal. Nor have the Soviets been inactive on these proposals. Even before Andropov, in December, made his public proposals which responded, at least in part, to the demands of the peace movement in Europe and in the United States, Brezhnev had judged it possible to satisfy immediately the two major demands of American "dissent": the freeze was formally accepted by Brezhnev on May 18, 1982—and again endorsed by Andropov in December; and "no first use" of nuclear weapons was the subject of a solemn Soviet pledge before the U.N. General Assembly on June 15, a few weeks after former Secretary of Defense Robert McNamara and his friends first proposed the concept in these very pages.[1]

One must of course distinguish the concrete realities from the artifices of propaganda. But it has to be admitted that in this last area Reagan's "audacity" has given him a certain advantage. At a time when public opinion (at least in the West) weighs heavily on defense programs and when the use of simplistic and eloquent slogans is convenient and even necessary, the White House scored points with its "zero option" and "deep cuts." Changing the name of the SALT negotiations (for Strategic Arms Limitation Talks) to START (for Reduction instead of Limitation) was a clever move, even though engaging in these talks earlier—for example, together with the negotiations on intermediate nuclear forces, which started on November 30, 1981—instead of delaying them until June 30, 1982, would have been advisable. The Soviets, rather clumsily, seemed to oppose the new name and preferred a combination of both: they now talk of negotiations on the limitation and reduction of strategic arms.

In the event, the Kremlin was put on the defensive and had to take into account the new mood. Without accepting Reagan's "deep cuts" plan, it did not view it as a reason for breaking off talks, as the Soviets did when they rejected former Secretary of State Cyrus Vance's relatively more modest reduction proposal in March 1977. In their turn, they put forth an arms reduction proposal that, while

[1] McGeorge Bundy *et al.*, "Nuclear Weapons and the Atlantic Alliance," *Foreign Affairs*, Spring 1982.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

more restricted than that of the White House and in fact similar to Vance's offer, was still a significant improvement over the numbers agreed upon in the SALT II accord. In the same way, the INF proposal publicized in Andropov's speech of December 21, 1982—which suggested a reduction of SS-20s to the level of the French and British nuclear forces in return for the cancellation of planned U.S. missile deployments in Europe—was a significant departure from the Soviets' previous attitude, when they claimed that the SS-20s were there only to counter *American* forward-based systems.

We will discuss later what could be done with those proposals, but it is useful to point out here, as a more general observation, the value of propaganda in any discussion on arms control. Its use should not be seen as secondary or dishonorable, if only because popular support is as necessary as hardware to a good defense. To be sure, the "propagandistic" approach is not encumbered by nuances. The Soviets quickly objected to Reagan's "zero option" because it did not take French and British capabilities into account, and to Reagan's START proposal because, as land-based intercontinental missiles—the foundation and strength of the Soviet triad—would be the first to be cut, it would require the U.S.S.R. to make the greatest sacrifices. However, simplifications cut both ways. There were many in the Pentagon, as well as civil and military leaders in Europe, who were leery of the "zero option" proposal and convinced that Pershing II and cruise missiles are needed for Europe's defense, even in the absence of the SS-20. Furthermore, the new sensitivity to public opinion obliged Reagan to stop his careless remarks about a "limited nuclear war" in Europe, and the Soviets to denounce, at least publicly, their officially stated doctrine of the 1960s regarding a "winnable" war.

Finally, one might point out that a greater effort by the Reagan Administration to move toward disarmament, even a campaign for "general and complete disarmament" similar to those mounted by the Russians in the past, would be as compatible with Reagan's "doctrine" as the rearmament program of today. If the Soviet leaders, having lost all their other cards, are left only with the military card to play, they will find themselves at a dead-end if such a posture were made impossible, either by an internationally verifiable accord or by American technology. But this time the avenue of external adventurism will also be closed off to them, to the benefit of all.

III

The balance sheet is far more negative in the second area to which the Reagan "doctrine" has been applied: East-West trade

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and relations with the allies. The two should be considered as tightly linked: the sanctions directed against Poland and the U.S.S.R. in December 1981, in the wake of General Jaruzelski's imposition of martial law, were irreproachable in themselves, even though they remained largely symbolic and omitted the only area, grain sales, in which they might have had a serious impact. Neither is it a question of justifying, a priori, the attitude of the Europeans, who, while often more indignant than Americans about the repression in Poland, have imposed sanctions of an even more symbolic nature while according massive credits to the U.S.S.R. for the construction of the Euro-Siberian gas pipeline.

What can be criticized was the way this issue was handled at and after the Versailles summit, a meeting that will certainly go down in history as the summit of misunderstandings and misconceptions. To be sure, the Europeans could not be surprised at American hostility toward their contracts with Moscow (this had been expressed to them at the previous summit of the Seven in Ottawa), nor at Washington's insistence on curtailing Europe's generous credit policy toward the communist nations.

All of this was not new, but the White House rushed to pocket as a European concession a general expression of intention which was very far from a formal agreement. French President François Mitterrand was quick to demand a more complete understanding involving all sorts of credits to the East—not only the government-guaranteed credits used far more by France than by other nations. And President Reagan seized this pretext for taking new measures which were in fact sanctions directed more against his allies than against the Soviet foe.

Reagan's decision of June 18, 1982, which extended the U.S. embargo on pipeline-related goods to include both subsidiaries of U.S. companies abroad and foreign companies working under American license, shocked all European governments alike, since it violated two fundamental principles of international law: non-extra-territoriality and non-retroactivity (the licensees could not have anticipated such a development when they signed their contracts). That the decision was reversed five months later in exchange for a very vague promise of an allied study of East-West trade indicates that it was ill-conceived, or at least that it raised problems far more serious than those it was intended to solve.

This episode is instructive in the degree to which it illustrates the weakness of taking an exaggeratedly doctrinaire approach to a problem as concrete as that of East-West trade. The whole world knew, in the first months of 1982, that the official justification for the Reagan Administration's tougher stance on East-West trade,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the coup in Poland, was nothing but a pretext. As has been pointed out, the Administration's hostility toward the pipeline project, as well as its desire to end the liberal extension of credit to the Soviet Union, had been demonstrated long before the events in Poland. And, behind these two perennial goals, the main elements of the Reagan philosophy were clearly evident: at a point when the Soviet economy was badly weakened by internal paralysis, the country's external commitments, and the weight of the arms race being conducted by its leaders, it was an opportune moment to aggravate this weakness by denying the U.S.S.R. the technology it needs to build its military apparatus, the means by which it pays for this technology, and the credits which allow it to await an economic recovery. It was no longer a question of punishing Moscow for this or that aggression, but of applying global and strategic pressure intended to destabilize the entire Soviet system.

Even if this objective has not been officially stated, this is how it has been perceived, and probably accurately, by most of the European governments. And it is hardly a coincidence that the Reagan Administration's arguments against the pipeline changed from 1981 to 1982. Rather than insisting, as it did in the beginning, that the Europeans risked becoming dependent on the U.S.S.R. for their energy supplies, it began to argue that the important hard currency derived from the sale of gas would alleviate the Soviets' economic problems. This was intended to differentiate the purchase of gas from the sale of American grain, which would drain Moscow's foreign currency reserves. But it was also an admission that the aim of this policy was less the welfare of the allies than the damage to the enemy, that economic war was more important than sanctions.

This policy ran counter, in many ways, to the interests and philosophies of America's European and Japanese allies. It reversed the previous American position, a position that ten years earlier had been so eloquently defended by former President Richard Nixon and his Secretary of State, Henry Kissinger, and according to which trade with the East would induce moderate behavior on the part of the U.S.S.R. and foment reform at the very heart of the Soviet system. Whether or not the Europeans believed in these ambitious goals, the fact is that they did benefit from this encouragement to develop their trade with the East throughout the 1970s. They were not about to renounce these benefits simply because Washington had reversed its policy. And, anyway, who could predict what the next President would say?

In the second place, Washington was setting a very bad example by its grain sales. Because of those sales, American exports to the Soviet Union had increased by 58 percent in the first quarter of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

1982, compared to the first quarter of 1981, while French sales to Moscow had fallen by 25 percent—and German sales by 20 percent—during the same period of time.[2] Ronald Reagan went even so far as to promise, on October 15, the delivery of 23 million tons of grain: an amount which exceeded the projections of the 1975 grain agreement and is larger than any single previous commitment made by any American President. Besides, if the allies were contributing to the solution of one of the Soviets' economic difficulties by the currency they provided Moscow for its gas, the Americans were alleviating, not just in the long run but immediately, a grave problem facing the Soviet leadership, that of food supplies, the political nature of which has been underlined by both Brezhnev and his successor, Yuri Andropov.

Finally, the Polish people themselves appeared divided on the issue of American sanctions. If certain dissidents, notably Soviet ones, consider trade sanctions as a moral obligation of the West, Pope John Paul II made it clear, on February 19, 1982, that he did not approve of Reagan's actions.

In fact, the different theories advanced for or against East-West trade need to be reconsidered in the light of present circumstances. The utopian theories of trade as a "weapon of peace" were questionable from the start, as there is nothing to ensure that the material advantages of economic cooperation would not be eclipsed in the minds of political leaders—and all the more so in the dictatorships—by the more attractive charms of the prerogatives of power and domination. After all, trade rarely flourished between France and Germany as it did in 1914, or between Germany and Russia as it did in 1941, two years which saw the outbreak of war between these countries. And the international crises and the arms race of the 1970s have amply demonstrated that détente and economic exchanges between East and West did not change the familiar pattern.

But if trade is not "a weapon of peace," neither is it a weapon of war. For one thing, to use it as such violates the principles of political and economic neutrality which constitute its only valid foundations: there will always be some country which will break the rules so laboriously laid down. Above all, the idea of using supplier-client relationships for political ends (whether for "rewards" or "punishment") operates on the false premise that it is the client (especially a poor or backward client such as the U.S.S.R.) that is the supplicant. In fact this dependence is not even shared equally by supplier and client. In the current economic crisis of the West,

[2] See the speech of Claude Cheysson, French Foreign Minister, before the French National Assembly, July 6, 1982.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

it runs much more to the detriment of the supplier, and, conversely, has less impact on a purchaser organized as is the Soviet Union. Even the fact that the client must receive credits in order to make purchases does little to change this situation.

There is no doubt that trade with the East represents only a small part—never more than five percent—of the international commerce of the major Western industrial powers and Japan. But, at a time when unemployment is the major preoccupation of most European governments, when the loss of a few dozen jobs often creates serious political problems on a local level, this trade represents an important margin in maintaining economic stability. At a certain point, receiving payment becomes almost of secondary importance, which explains the willingness of suppliers to extend credits and Moscow's adamant stance on the issue of interest rates (the U.S.S.R. has, for instance, suspended almost all its orders for equipment from France since she conformed to the Organization for Economic Cooperation and Development's "consensus" to hold guaranteed interest rates above ten percent). Coordination on credit rates and availability is certainly desirable, as is a tightening of control on high technology exports. Some progress was achieved in 1982 in this last area in the framework of the COCOM, the Paris-based allied coordination group for "sensitive" trade with the East, although most European governments are not willing to go as far as the Americans would like.

The whole issue seems, however, to be less acute at the beginning of 1983. Secretary of State Alexander Haig had to leave the Administration in June 1982, for being too moderate—and too "pro-European"—in this area, but his successor, Secretary George Shultz, seems to follow the same policy with even more moderation and tact. In fact, the cease-fire which was concluded during Shultz's visit to Europe in December 1982 was not a real agreement, and relied mainly on the willingness of the Reagan Administration to withdraw some of its extreme demands of the previous months. Should such demands be reiterated, tensions would rise again. And it remains unrealistic to hope that Washington's allies—and commercial competitors—could adopt a unified and global policy for East-West relations, and even more so to think that they could rally to anything resembling economic war against Moscow.

IV

The 1982 succession in the Kremlin is bound to test Western policies toward the U.S.S.R., but it is likely to test even further Soviet policies toward the United States. It will not, of course, be a

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

question of fundamental changes: the Soviets have no reason to abandon existing objectives of consolidating power in Eurasia, dividing the United States from its allies, and profiting as best they can from any crisis occurring in the Third World. But the death of a head of state can result in a modification of tactics, and it may offer a good opportunity to straighten out unsolved problems and back out of the more obvious dead ends to which previous policies have led.

Stalin's death allowed his successors—despite their disputes on domestic issues—to end their involvement in the Korean and Indochinese wars, to sign the Austrian Treaty and to become reconciled with Tito, to evacuate their troops from China and later from Romania. In the same way, Brezhnev's accession to power was accompanied by an official repudiation of his predecessor's challenge over Berlin—and this well before former chancellor Willy Brandt's Ostpolitik permitted "normal" relations between the two Germanies and recognition of the German Democratic Republic.

Will the same pattern occur this time with respect to the costly and uncertain engagement in Afghanistan that resulted from Brezhnev's policies? It is still too early to tell. A long article in *Pravda* on December 16, 1982, made the usual accusations of Western interference in the conflict, and reaffirmed the "irrevocable" nature of the Afghan revolution, but also spoke of a need for policy adjustments and gave favorable consideration to the negotiations begun in Geneva under the auspices of the United Nations between the Kabul regime and Pakistan. Later, there was a toughening of the tone, and on December 31, TASS reaffirmed Moscow's intention to "fulfill up to the end its internationalist duty" toward what it called the "legal government" of Kabul. At the same time, the Soviet military position in Afghanistan has clearly deteriorated in 1982 despite a slight reinforcement of its contingent. And it is hard to see how a disengagement could take place without an immediate further weakening of the Kabul regime, given the determination of the Afghan resistance.

As a whole, Moscow's diplomatic balance sheet was clearly less favorable, at the end of 1982, than it had been some years earlier, in 1979, for example. From its vantage point, in addition to the rise of the "peace movement" in Europe and in America, which has been described earlier, only two bright spots could be seen:

—In Poland, after the turmoil of the previous 18 months, the "normalization" introduced by the military takeover of General Jaruzelski on December 13, 1981, was a real success. To be sure, the unwillingness of the Polish population to cooperate with its new

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

rulers, the continuing chaos in the economic situation and the bad image of the Jaruzelski regime in the world are enormous weaknesses. But Moscow could not hope for better in the first year of the suppression of the Solidarity movement. It has to cope in any event in most East European states and in the U.S.S.R. itself with a passive and demoralized population, unwilling to make sacrifices for the cause of "socialism." What matters is that the Soviet leaders, from December 1981 on, were spared the need for direct intervention in Poland by the Red Army, with all the catastrophic consequences such an event would have had, and could rely on an effective and repressive government in Warsaw, willing at last to impose on Poland law and order, Moscow style. Furthermore, the role assumed by the Polish church in calming down the dissenters and avoiding any violent resistance confirmed to the rulers in Warsaw, as in Moscow, that they were on the right track. It gave them legitimate reason to hope that the population as a whole will come to accept a *fait accompli.*

—Another bright spot in the balance sheet was the rapprochement with communist China. Starting in March 1982, with a speech by Brezhnev in Tashkent expressing Moscow's good will and the need for talks, the move was not, in fact, a shift in Soviet policy. Since the very beginning of the feud between the two communist great powers in the early 1960s, Moscow has been posturing as the aggrieved party, compelled to rebuff the propaganda campaigns of Beijing against Soviet "hegemonism," but willing to discuss ways of reducing tensions as soon as more favorable Chinese behavior manifested itself (as was the case in 1964 after Khrushchev's departure and in 1969 after the violent clashes along the Ussuri River). When such a mood again appeared in China at the beginning of 1982, Brezhnev did not hesitate to welcome this overture, all the more so when it was confirmed by a decrease in Chinese propaganda against Russia, by the renewal of talks on bilateral relations in the fall, and, later, by the presence of the Chinese foreign minister at Brezhnev's funeral.

To be sure, the situation worsened again in the following weeks, when it appeared that the new Soviet leadership, like the old one, was not ready to make concessions on Kampuchea, the most sensitive issue for the Chinese, and even less to impose a new line on its Vietnamese ally. But the trend toward normalization of Soviet-Chinese relations is here to stay. Confronted with this evolution, Washington decided, correctly, to put on a good face as its contribution to the relaxation of international tensions. Yet the prospect, however remote, of a real rapprochement between Moscow and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Beijing, perhaps even moving so far as to reconstitute a common front on certain international issues, is something to worry about for any Western government. But one must question whether a more positive approach by the Reagan Administration toward China's problems, and a little less concern for Taiwan and its military hardware, might not have prevented, or at least impeded, the Sino-Soviet rapprochement. A wise East-West policy should give primary consideration to national interests over ideological considerations, but it also requires a better knowledge of one's partners and an awareness of the diversity within the communist world.

While there were bright spots at the end of the Brezhnev era, there were also some serious setbacks for the Soviet Union in the international situation. Aside from the stalemate in Afghanistan, these were:

—The consequences of Soviet inaction during the Lebanese war, notably the deterioration of Moscow's relations with the Arab world in general, and with Syria and the Palestine Liberation Organization (PLO) in particular. To be sure, this Soviet inaction was neither unexpected nor incomprehensible. Moscow had no reason to pretend to be "more Arab than the Arabs." Given the inaction—if not the hidden *Schadenfreude*—of most Arab nations before the discomfiture of the PLO, there was no reason for Moscow to engage in a policy of confrontation with Israel and the United States in a highly unfavorable military environment. The Soviet Union was probably ready to keep its commitments to Damascus, but only to defend the territorial integrity of Syria proper, not to help it retain its conquests in Lebanon, a country Moscow has always considered as within the Western sphere of influence. But the obvious impotence of Soviet policy during the long weeks of the war did hurt Moscow's image, which will have unfavorable consequences for Soviet policy in the Middle East in the months to come.

—A second setback was the poor showing of Soviet military hardware in the hands of the Syrian military. Here the damage is more far-reaching: various Third World nations seem to have taken this failure into account before turning to new arms suppliers, and Soviet political influence may suffer from this evolution. More generally, the scope of the American military buildup and Western advances in weapons technology confronted the U.S.S.R.'s politico-military establishment with new challenges, adding to the perceptible demoralization in Moscow during this last, interminable year of Brezhnev's rule.

Brezhnev's last speech, before the Red Army commanders on October 27, bore traces of this demoralization. "Russia declares

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

détente with the U.S. is dead," the British newspaper, *The Guardian*, could headline on October 30. In fact, Moscow seemed resigned to waiting for a more favorable attitude in Washington, and to trying, in the meantime, to stay ahead in an arms race imposed upon it by the United States. It was no coincidence that this last speech ignored earlier proposals for conciliation or arms control: there was no mention of agreements for "no first use" of nuclear weapons, or an arms freeze, or, more generally, of the arms control negotiations in Geneva; Brezhnev even indirectly retracted his announcement of March 16, 1982, of a unilateral suspension of the deployment of SS-20 missiles in the western U.S.S.R.[3]

This pessimistic and disillusioned tone disappeared after Brezhnev's death. On the contrary, Yuri Andropov's first speeches, supported by those of Nikolai Tikhonov, Chairman of the Council of Ministers, took care to affirm that détente "is not dead." Even if the word "détente" has an obviously different meaning for them than it does for its Western adherents, it was assurance of a desire, despite discords and polemics, for a renewed East-West dialogue. Reagan's weapons programs were necessarily denounced, but the confidence-building measures suggested by the American President (improvement of the hot line, prenotification of missile test firings, etc.) were favorably received by the Party General Secretary himself.

These auspicious attitudes remain to be confirmed, all the more so as the Soviet military, having supported Andropov as head of the Party (over Constantin Chernenko, who was by all accounts Brezhnev's own choice of successor), was quick to let him know that its views would have to be taken into account. In a comment attributed to "Soviet military circles," the news agency, Novosti, let it be known that Moscow would respond to the deployment of Pershing missiles with a posture of "launch on warning"—a position obviously intended to frighten the Europeans, but one which American military leaders have always refused to adopt. And on December 6, Marshal Ustinov stated that the Red Army would match the MX with a new missile "of the same class and character," although *Pravda* had suggested the reverse several days earlier.[4]

[3] In effect, Brezhnev said that American preparations for deployment of intermediate-range nuclear forces in Western Europe had already begun. In announcing his moratorium, March 16, the Soviet leader had specified that it would be valid only so long as the West had not taken such steps.

[4] "The Soviet Union does not intend to engage in a race with the U.S. in the creation of each new weapons system, to imitate them," wrote *Pravda* in an anonymous editorial, November 25, 1982. Nevertheless, Yuri Andropov had to rally to the views of his minister of defense when Marshal Ustinov announced, December 21, that Moscow will respond to the MX "by a similar rocket of our own." This position is even more surprising, as the U.S.S.R. already has, in the SS-18, a missile twice as powerful as the MX, which needs only improved precision.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Ronald Reagan and his team have thus far reacted sensibly to the changes in the U.S.S.R. Despite the urgings of several American newspapers, the President wisely abstained from attending Brezhnev's funeral in Moscow, where his presence would probably have embarrassed the Soviet leadership. His visit to the Soviet embassy in Washington and Vice President Bush's representation in Moscow were sufficient indications of his willingness to engage in a dialogue with the U.S.S.R. In the same vein, the discretion with which Washington seems to have handled the Italian government's embarrassing revelations of the "Bulgarian connection" with the attempted assassination of the Pope—which could have been a sort of "Sofiagate" for Andropov—was probably appreciated in Moscow, the Soviet media's inevitable counterattacks against the turpitudes of the Central Intelligence Agency notwithstanding. The lifting of the economic sanctions on trade affecting the Euro-Siberian gas pipeline—coinciding as it did with Solidarity's Lech Walesa's liberation and Brezhnev's death—could also have been seen as an indirect gesture toward Moscow.

Finally, Reagan wisely decided not to let himself be pushed into a corner where Moscow could regularly propose more or less new "peace initiatives" and he would appear the villain by refusing those "overtures." His willingness, expressed at the beginning of January, to have a summit meeting with Andropov and even to talk about such a worn-out suggestion as a nonaggression pact between the two military blocs (an old Soviet idea put forth once again at the Warsaw Pact summit meeting in Prague on January 5, 1983) has to be explained in this light.

It is difficult to go much further in the initial phase of the Soviet succession and to act as if the simple fact of Brezhnev's disappearance calls for new initiatives from Washington (which is pretty much what Georgi Arbatov, principal Soviet spokesman to the American academic community, has suggested). This said, the opportunity should be seized to reopen the books in anticipation of initiatives that might be taken by a Soviet leadership that is visibly less conservative and rigid, more subtle and more sophisticated than the previous one, and from which one must expect greater mastery of all the techniques of international relations: official and secret diplomacy, pressure and seduction, propaganda and "disinformation," demonstrations of force and "campaigns for peace."

But for this very reason, there will have to be a quiet reassessment of the main issues under discussion in order to be ready to make the proper moves when the time comes, and to anticipate the other party's moves. This will be particularly true in two areas of negotiation.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

V

As regards the Strategic Arms Reduction Talks (START), progress is both necessary and possible in the months to come. The fact that Moscow has accepted the idea of important cuts in its arsenal is already progress, compared to its rigid stance of the late 1970s. It should be possible to strike a compromise between the 50-percent cut suggested by President Reagan and the 25-percent cut proposed by his Soviet counterpart. The United States will have to accept, nevertheless, an early discussion of its strategic bombers and of its growing arsenal of cruise missiles, while Moscow will have to make concessions in the area of its intercontinental ballistic missiles. Here the pressure of public opinion might be constructive; the more so since the idea of "deep cuts" should have much more popular appeal than a mere "freeze."

More imagination will be needed in the talks on intermediate-range nuclear forces (INF). Given the state of public opinion in the German Federal Republic, Great Britain and, of course, the "Scandilux" countries, the Reagan Administration will have more and more difficulty in maintaining its original version of the "zero option," especially when new and even more attractive Soviet proposals will be made.

There is no question but that Andropov's proposals of December 21 created a new situation by changing traditional Soviet positions on three issues: (a) Moscow now accepts the American position, as far as procedure is concerned, of putting into different baskets the various weapons systems in Europe—missiles on the one hand, aircraft on the other; (b) the whole rationale for the SS-20 deployment has been changed: for many years Moscow stated that those weapons were needed to counter U.S. forward-based systems; now they are there only as a counterpart to French and British missiles; (c) finally, the Soviet Union accepts the idea of reducing the SS-20 stockpile itself, not just as part of a bargain to remove the older SS-4s and SS-5s, which were to be dismantled anyway. We cannot exclude as a further step—for example, after the March elections in West Germany—a unilateral gesture by Moscow: the Soviet leadership might announce that it has already reduced its SS-20 arsenal to 162 launchers in Europe, pending an agreement in Geneva or the deployment of the American missiles in Europe.

To be sure, the December proposals of the Soviets cannot be accepted at face value. France and the United Kingdom have rightly stated that their forces—conceived from the beginning as mere deterrents against external aggression—cannot be weighed on the same scales as the SS-20, a weapons system which was built in

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

addition to other Soviet nuclear weapons and which clearly has a coercive value. Furthermore, it is questionable whether or not submarine-launched missiles (SLBMs)—which are the main bulk of the British and French deterrent forces—should be put in the same basket with ground-launched mobile missiles such as the SS-20, the more so since the Soviet Union already has a huge arsenal of SLBMs.

But the pressure for compromise will be growing in Europe as the talks proceed toward the December 1983 deadline for the deployment of U.S. missiles in Europe. For the most active members of the "peace movement" any compromise would be preferable to any deployment of these missiles. A quite different type of compromise would be one in which a reduced deployment of NATO missiles would compensate for a reduction of the SS-20 arsenal.

The first approach would mean that the Soviets would come away with some 100 or so SS-20s (and perhaps many more in Siberia targeted on China and Japan) while NATO would drop its plans for deployment. That would mean a clear victory for the Soviets and a far-reaching defeat for the Western Alliance. The second approach could lead to a more satisfactory balance of power in Europe at a reduced level of armament. But to achieve such a result, some suggestions should be considered. It will be difficult to resist Moscow's demand, already supported by a few political leaders in Germany and other European countries, to include French and British nuclear forces in the discussions on arms control. But instead of dealing with those forces in the INF talks, it would be logical to include them in the START ceilings as part of the SLBM "Western" contingent, where they rightly belong (even if London and Paris do not officially acknowledge this fact).

Some concessions might be held in reserve to deal with the Pershing missile, as opposed to the ground-launched cruise missile. While 464 of the latter are to be deployed, the Soviets are concentrating their attacks on the 108 Pershings, arguing that its six-minute flight time puts them in a dramatically grave situation. It might not be too difficult for NATO to reduce the number of Pershings and to put more emphasis on the cruise missile, a low-flying, typically second-strike weapon.

Finally, President Reagan's "zero option" would be more palatable if the United States included in its part of the bargain some of the shorter-range nuclear weapons which constitute their forward-based systems in Europe. Many of those weapons are obsolete, and the new concept of warfare in Europe, actively promoted by NATO commander General Bernard Rogers, in favor of raising the nuclear threshold and using highly accurate conventional weapons against

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

targets deep in the rear of the Soviet bloc, makes those weapons even less useful in the future. This is an area where concessions could be made with relative ease in Geneva.

In retrospect, when NATO made its "double-track" decision in December 1979 to deploy intermediate-range missiles if arms control talks with Moscow failed, the West should have anticipated that this move would create new tensions in Europe, raise the danger of new Russian pressures and create political difficulties in many European countries. The excessive delay between the decision and its execution played an important role in creating these conditions, but that is all the more reason now to manage the new situation with care and determination. After all, NATO has already obtained from the Soviet Union concessions on the SS-20 program. It is, therefore, not unreasonable to believe that an agreement is still possible. This will be the main task for 1983, a test of the vision and will of the West, but also a chance to explore the possibility of conducting a balanced and reasonable foreign policy with a new Soviet leadership.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Joseph J. Sisco

MIDDLE EAST: PROGRESS OR LOST OPPORTUNITY?

> An optimist sees an opportunity in every calamity; a pessimist sees a calamity in every opportunity.
>
> —Winston Churchill

Three wars dominated events in the Middle East, the Gulf and Southwest Asia in 1982. In Afghanistan, the conflict between Soviet occupying forces and the freedom-fighting Mujahedeen continued without resolution. To the west, the sputtering war between Iraq and Iran saw a succession of gains for Iran that pushed virtually all Iraqi forces from its territory; but by the end of the year the prospect of any decisive military breakthrough had faded. And in Lebanon the Israeli invasion in June led to the eviction of the headquarters and principal military apparatus of the Palestine Liberation Organization (PLO) and left Lebanon faced with the problem of withdrawal of Israeli and Syrian forces and wrestling anew to establish itself as a coherent national entity.

In the first two of these wars, U.S. influence and leverage were limited, although there were substantial consequences for U.S. relations with the nations on the fringe of the hostilities. But in the Lebanon War the United States played a critical role in bringing an end to the organized fighting, and in early September launched a dramatic new attempt to move toward resolution of the Palestinian issue that lay at the core of the war. On that front at least, more than ever the main roads led to the United States as the indispensable third party, in a situation where U.S.-Israel relations had become more difficult than at any time since 1956 and where certain parts of the Arab side were slowly seeming to come to terms

---

Joseph J. Sisco, currently a partner in Sisco Associates, a management consultant firm in Washington, was Under Secretary of State for Political Affairs from 1974 to 1976, Assistant Secretary for Near East and South Asian Affairs from 1968 to 1974, and Assistant Secretary for International Organization Affairs from 1964 to 1968.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

with the changed circumstances in the aftermath of Lebanon. The war had created new opportunities to address the Palestinian phase of the peace process, under the aegis of the United States. Hopefully, 1983 augurs less violence and renewed diplomacy in an altered regional setting. The picture is mixed and uncertain, but not without promise.

Looked at more broadly, the events of 1982 demonstrated once again the multiple threats to peace and stability in the area. Afghanistan is an example of external invasion, the Iraq-Iran war an intraregional conflict, and the war in Lebanon was in effect the fifth Arab-Israeli war. As it happened, the year did not see any new example of an internal upheaval, but the underlying situation in several key countries remains fragile. In different forms a resurgence of Islamic sentiment has now become a more sensitive element of Middle East politics, giving a new dimension to both their internal and external aspects. To assess the significance of this and other underlying trends in the area would require a broad historical essay beyond the limits of the interpretive account of 1982 presented in this article. And it may be too early to say just how the events of the year fitted into, or contributed to, the deep historical currents sweeping the area.

Let us start, then, with Afghanistan and the Iraq-Iran war, and proceed to the Arab-Israeli conflict that was the dominant concern of U.S. policymakers virtually throughout the year, overshadowing for long periods even such other central problems as Soviet relations, Western Europe, China and Latin America.

II

Three years after it invaded Afghanistan, the Soviet Union has made no significant progress in winning recognition of the Babrak Karmal regime, whose popular base in the country has shrunk, and has experienced only limited success in controlling and running the country. While the military losses have not been negligible, the economic burden is relatively marginal, since most of the natural gas produced in Afghanistan goes to the Soviet Union on a favorable basis. On the whole, developments in 1982 continue to point to a Soviet policy based on the assumption that the political, economic and international costs remain tolerable. Despite some tactical moves toward a U.N. mediation effort, the evidence is strong that Moscow intends to remain indefinitely in Afghanistan, to accept no government it cannot control, and not to allow a situation to develop in which the people of the country could return to a real

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

nonalignment.

Militarily, the stand-off remained. The Soviet Union augmented its forces to 105,000, and undertook offensives in the key area of Kandahar and Herat and to a lesser extent in the northern tier. Attacks by several Soviet-Afghan batallions were launched against the Panjshir Valley in May–June and September, and against Laghman, a resistance stronghold just 12 miles from Kabul, but in both areas the Afghan Mujahedeen resistance fighters overran outposts as soon as the main invading forces withdrew. Some marginal improvements could be discerned during the year in the security of Soviet convoys from the Soviet border to Kabul, but Moscow made no headway in rebuilding an Afghan army that could take over the brunt of the pacification effort. The intra-Marxist differences between the Maoist-oriented Khalq faction of the Peoples' Democratic Party (PDPA) and the pro-Moscow Parcham continued, the most serious consequences being widespread disloyalty among the Khalq-dominated Afghan officer corps. Moreover, a number of Afghan officers were arrested for collusion with the resistance, particularly during the May–June Panjshir offensive.

Economically, the Soviets are having to provide some necessities to forestall popular discontent in larger towns and cities, where some shortages of basic commodities have occurred. In the countryside, most of which is out of Soviet-Afghan government control, the local economy functioned pretty much as it did before the Soviet invasion.

Internally, the regime labored during the year to enlarge the PDPA and to enhance its role. This was a shift from the previous year's unsuccessful tactic of seeking to broaden the base of the regime by creating a large popular front organization, the National Fatherhood Front. While party membership increased, official statements emanating from a Party Conference in March and the Ninth Plenum in July suggest the quality of the new membership was disappointing.

In general, the guerrilla forces appeared stronger, better armed and better organized during 1982, but divisions continue to prevent the development of a nationwide strategy, even though a sense of nationhood exists based on the tenets of Islam and the fierce opposition to the Soviet occupation and the Afghan puppet regime.

On the international front, the U.N. Secretary General's personal representative, Diego Cordovés, conducted indirect talks with key parties in July in Geneva, and these are scheduled to be pursued further early in 1983. The framework for discussion envisages a phased withdrawal of Soviet forces, with the Karmal regime left in

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

place in the first phase, looking toward a future status for Afghanistan modelled on that of Finland. The Soviet Union continues to insist on the ending of all "external interference" by other parties as the precondition for any Soviet withdrawal.

The principal nation negotiating with the Soviet Union has been Pakistan, which has borne the brunt of the more than three million refugees who have fled Afghanistan, and which is at the same time the location of Afghan resistance groups and the conduit for a limited flow of arms from Middle Eastern countries (indirectly supported by the United States)—and which faces recurrent Soviet threats of retaliatory action, threats made real by occasional limited border crossings.

Apart from its indirect role in arms supplies, the United States has continued to focus on shoring up Pakistan so that it can effectively resist any expansion of the war and conduct negotiations from at least a limited position of strength. Necessity has made the United States and Pakistan strategic partners despite the high political and economic costs. The Administration and Congress have accepted General Zia's spongy disavowal of nuclear ambitions. Any real improvement in the tight authoritarian control, or early election, is unlikely.

President Reagan held talks with President Mohammad Zia ul-Haq in December 1982. This dramatized the renewed, closer U.S.-Pakistan strategic cooperation, reflected concretely in the previously concluded five-year $3.2-billion U.S. economic and military aid agreement. During his Washington visit, Zia made clear his intention to pursue the U.N. talks. He said publicly that he "was fairly well impressed," as a result of his 50-minute talk with Yuri Andropov at the November Brezhnev funeral, that Moscow wants to pacify world public opinion, and that his advice to the Soviets to cooperate with the U.N.-conducted indirect negotiations had "gone home." But a *Pravda* editorial in December, the first major Soviet statement on Afghanistan in over a year, cast a long shadow over this undue optimism. The editorial reaffirmed unchanged conditions for withdrawal of Soviet troops, offered no support for the notion the Soviets were flexible, and seemed directed at reassuring President Karmal that Moscow was continuing to insist Pakistan must negotiate directly with him.

While the United States has not interposed objection, the Administration is understandably highly skeptical of Moscow's attitude toward negotiations, and has held to the view that the U.S.S.R. seeks a political cosmetic facade for maintaining a regime under its control. It has cautioned Pakistan in this regard.

The United States supports a settlement embracing total Soviet

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

withdrawal, self-determination for the Afghan people in an independent, nonaligned Afghanistan, and the right of the refugees to return with safety and acceptance, all of which has been spelled out in three U.N. General Assembly resolutions. It will not accept a legitimization of the Karmal regime. The gap between Moscow and Washington, therefore, is not likely to be bridged in the foreseeable future.

III

By early spring of 1982, it was clear that the Iran-Iraq war had moved in a new direction. In May, Khurramshar, the only major Iranian city held by Iraq, was taken by Tehran's forces, and by late June Iran had succeeded in forcing Iraqi troops from nearly all of its territory. But a succession of Iranian offensives in the summer and early fall ran into strong resistance and resulted only in heavy Iranian casualties. Iraq's Saddam Hussein had decided to cut his losses by withdrawing his forces and setting up strong defensive positions, and was signaling a desire to end the war essentially on the basis of a return to the situation prior to Iraq's initial attack in September 1980.

Ayatollah Khomeini, however, rejected all peace offers, and supplemented continued assaults in the Basra area by opening a second front further north in the central sector. By the end of 1982, no decisive military breakthrough had taken place, and the Ayatollah—in clear control despite reports of increasing infirmity—continued to insist in effect on the removal and humiliation of Saddam Hussein. No cease-fire or settlement seemed likely as long as the Ayatollah lives, and only a major political change in Iraq or Iran could alter the situation dramatically.

The internal situation in Iran and Iraq showed remarkable resiliency. Having deflected a leftist challenge in 1981 and early 1982, the Khomeini regime has consolidated its position and the internal threat for the time being has receded. While the revolutionary zeal has diminished, the economic situation appears tolerable despite the cost of the war and inefficient industrial management; Iran even managed to increase its oil exports, and Iraq was powerless to carry out repeated threats of attack on the major shipping point at Kharq Island. The Islamic Republican Party has consolidated a strong hold in most sectors of Iranian society, and the country has not divided or fractionalized as some hoped or predicted. The scattered opposition of the Mujahedeen has been controlled by ruthless repression, and the army has remained basically nonpolitical while improving its institutional status within the country as a result of its performance in the war.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

In Iraq, the internal situation appeared to be less solid, but Saddam Hussein has not yet had to pay the price for his mistake in starting the war in 1980. The economic cost has been heavy: the country's port is closed and only the pipeline to Turkey is operating since Syria closed the one going through its territory. The Shi'ite majority of Iraq's population, who over the years have benefitted economically from the country's oil-produced growth and prosperity, have not taken Khomeini's bait to rise against Saddam Hussein. A reorganization in about mid-year gave the army greater responsibility for conduct of the war, and if a challenge should eventuate against Hussein, it could come from this quarter. As the war continues, Iraq's resources have been depleted, and it has become more dependent on large amounts of borrowing from oil-producing Arab states, which increasingly find such support burdensome and want an end to the war.

As Iran evicted Iraqi forces from its territory, it began in June to make more threatening noises about further action against the Gulf states, and its demands now include reparations not only from Iraq but especially from Saudi Arabia. Its oil exports greatly exceeded the guidelines adopted by OPEC in 1981 and the result has been a significant weakening of OPEC, and the crippling of the oil weapon of 1973, in the context of a sluggish world market. While the OPEC annual meeting in December overtly reaffirmed the previously agreed price levels (roughly $34 per barrel), it ended in disagreement regarding national production levels and the disarray seems certain to mean continued widespread price discounting and flouting of production levels in 1983.

Among the Gulf states, Kuwait's support of Iraq during the year made it particularly vulnerable to the threatening Iranian posture. More important, Iranian attention was focused on Saudi Arabia, to the point of sending a deliberately disruptive delegation to the traditional Mecca pilgrimage in September; although the Saudis were able to contain that action, the sense of threat from Iran, coupled with financial pressures, has tended to immobilize Saudi policy on many fronts. The Saudi leaders have gone so far as to indicate willingness to pay some reparations to Iran, despite an oil production decline to somewhere between five to six million barrels a day, and a deficit budget year which may require them to dip into reserves and use income from overseas investments. In November, Saudi Foreign Minister Al-Faisal Bin Saud accompanied King Hussein of Jordan to Moscow and Beijing as part of a committee established to secure support for the Arab peace proposal adopted at the Fez summit conference in early September. But the present

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

situation adds to normal Saudi diffidence, militating against an activist political-diplomatic role in intra-Arab councils and in the peace process. The prospect for Saudi Arabia in 1983 is a turn inward and an even more cautious policy outward.

For the United States the stakes and interests in the Gulf remain vital. The crumbling of the Iranian pillar under the Shah was a major setback in the region, and an early reversal is most unlikely. There is no practical basis on which U.S.-Iran relations can be resumed, and a wait-and-see posture remains the only available choice. While there has been some pressure from Arab nations for the United States to do more in support of Iraq, for the most part this has been resisted on the ground that in the long run Iran is more important strategically.

The United States continues to give quiet assurances to Saudi Arabia that it can be relied on to shield it from the Soviet Union and to be responsive in case of any other threat, and the development of a Rapid Deployment Force for these purposes has gone steadily ahead. While neither Saudi Arabia nor any other Gulf state, except for Oman, has indicated overtly any desire to provide bases for U.S. forces, still less to join formally the kind of "strategic consensus" that was tested by Secretary of State Alexander Haig in 1981, some informal cooperation and use of standby facilities is not precluded. Quiet assurances and a modest ongoing defense assistance program are the principal commonsense elements in a constructive and prudent U.S.-Saudi relationship serving the interests of both.

IV

Important as the wars in Afghanistan and the Gulf area were, throughout 1982 it was Arab-Israeli relations, and in particular U.S. relations with Israel, which absorbed the greatest amount of time and attention of U.S. policymakers. Menachem Begin had been unexpectedly reelected in June of 1981, partly as a result of the nationalist feeling aroused by his successful attack on the Iraqi nuclear reactor near Baghdad, quickly followed by an air attack on Beirut and continuing exchanges across the Lebanese border that were halted by a precarious cease-fire negotiated by U.S. Ambassador-at-Large Philip Habib. By the end of 1981 the Reagan Administration appeared somewhat on the defensive after the bruising fight it had won to get Senate consent to the sale of four air-warning aircraft to Saudi Arabia.

It was within this environment of Israeli-American relations that Israel moved in December to extend Israeli law, jurisdiction and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

administration to the Golan Heights. Although the United States vetoed punitive resolutions in the U.N. Security Council in January, it also temporarily suspended important defense trade measures and briefly postponed completion of a Memorandum of Understanding on strategic cooperation initialed by Defense Secretary Caspar Weinberger and Defense Minister Ariel Sharon in November 1981. Throughout 1981 the Administration had muted its objections to expanding Israeli settlements in the West Bank and Gaza, and there had been no progress in the Egyptian-Israeli autonomy talks—the first move under the second half of the Camp David Accords of 1978. Secretary Haig's trip to the area in January 1982 predictably found no basis for renewing these talks.

Egypt, Israel and the United States viewed the completion of the Israeli withdrawal on April 25, 1982, under the terms of the 1979 Peace Treaty, as a watershed. For the first four months of the year this was Washington's principal preoccupation. Organizing a peacekeeping force adequate to meet Israel's exacting conditions required extensive and intricate diplomatic efforts, especially with the four European nations that eventually agreed to participate with six others alongside the United States, and a series of minor frictions left the issue in doubt right up to the very end.

The withdrawal was finally completed on schedule, with Begin sending in his army to move Jewish settlers physically from the area and to destroy remaining settlements. The suspicion that Jerusalem was seeking to sidetrack the treaty was put to rest. Traumatic as it was for many of Begin's supporters, the withdrawal was clearly a sound move in Israel's national interests. Failure to go through with it would have destroyed Camp David and set back any hope for peaceful agreements. Egypt became the first Arab country to get back its territory by peaceful means. Moreover, the settlement, along with the peacekeeping arrangements, dramatically confirmed the major strategic result of the Egyptian-Israeli treaty, that war against Israel is not today a viable Arab option with Egypt on the sidelines.

Thus the withdrawal was a demonstration—like the three prior disengagement agreements with Egypt and Syria—that diplomacy can succeed. It made renewal of hostilities in the area less likely—but it also reduced Israel's incentive to come to a fundamental settlement with the Arabs over the West Bank, Gaza, and later the Golan Heights.

For Egypt, too, the completion of all the steps agreed in the Peace Treaty was a solid gain. However, partly because of the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

frictions and strains of the last phase, it did not lead to any major improvement in relations between Egypt and Israel, or to any increased willingness to negotiate autonomy on the West Bank and Gaza on the limited terms offered by Israel. The formal normalization of bilateral relations, dating from April 1979, was not developed through extended contacts of the sort that had appeared possible earlier; the autonomy talks remained suspended; and by the end of the year normalization was at a standstill although both sides continued to carry out their treaty obligations scrupulously.

President Hosni Mubarak is committed to Anwar Sadat's policy of peace, food, security, and enhanced welfare for the Egyptian people. He has projected an image of calm confidence. Recapturing Egyptian territory and carrying out Sadat's legacy freed Mubarak to consolidate his position politically and to turn to two important internal problems, the economy and Muslim fundamentalism.

Egypt's flagging economy is Mubarak's most serious internal problem, a result of the world recession and the increasing burden of necessary government subsidies and reduced foreign exchange earnings. Suez Canal and oil earnings, tourism, and remittances from Egyptian workers abroad were less than budget projections. During 1982 Mubarak introduced some modest reforms. He has spoken frankly to the Egyptian people about the economic situation, and they have adopted a wait-and-see attitude as to whether peace will provide the dividend promised by Sadat. While the open dialogue with governmental and non-governmental circles has been welcomed, another reshuffling of his economic ministerial team was required during 1982, and as yet there is no dynamic program in place to attack basic structural difficulties. To assure continued growth, the government will have to address pervasive cost-price distortions which tend to lead to unwise investment decisions, encourage excessive consumption, and discourage productivity improvements and the development of a competitive export sector. Added to these factors is Egypt's long-term problem of population control.

Mubarak has handled the problem of resurgent Muslim fundamentalism with firmness and sensitivity. He has used both repression and reconciliation as instruments of policy. Shortly after Sadat's assassination the government arrested 3,000 fundamentalists and imposed martial law, which is still in effect. In October, 58 members of an underground religious group called Jihad, whose stated aim was to overthrow Mubarak, were arrested and a cache of arms confiscated. At the same time, these tough actions under the Inte-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

rior Minister, General Abu Basba, were coupled wisely with release of over 1,500 academics, journalists, lawyers and religious dissenters, none of whom were considered in the category of the most militant and incorrigible fundamentalists. The government also has encouraged during this past year a dialogue between fundamentalists and Islamic scholars to educate the general public that extremists are not the only voices of Islam.

In the long run, Mubarak's position will be affected more by internal issues than by his current isolation in the Arab world, which is being reduced. There appears no significant organized opposition to the regime today, and Mubarak has the broad support of the populace and the loyalty of the armed forces. Nevertheless, the situation requires careful attention and close monitoring. Millions of Egyptians live on the margin, and there is always the danger of politicized radical Muslim fundamentalism making common cause with the disadvantaged.

Externally, Egypt continued to be excluded from Arab councils even in the wake of the war in Lebanon. It did step up its contacts with some of its Arab brothers—Oman, Somalia and Sudan—and even though diplomatic relations with Saudi Arabia remained broken, Mubarak flew there in June to make contact with the new King Fahd at the funeral of King Khalid. This trend continued, and an important development, little noticed, came in December when the Egyptian Minister of State, Boutros Boutros-Ghali, visited Lebanon and established a liaison office in Beirut, a signal that Lebanon welcomed Egypt's support. Additionally, Cairo cemented its relations with Western Europe, supporting a French and Egyptian U.N. resolution for Palestinian self-determination, and signing a $1.1-billion contract with Spain. These directions in Egyptian policy are expected to continue during 1983. But Egypt cannot soon be a major force in the peace process, and the dominant concern of U.S. policy must be to help Mubarak deal with his internal problems, principally through continued large-scale aid.

V

Early in the year public statements from Jerusalem about violations of the Lebanon cease-fire became more pronounced, and when Begin responded to U.S. expressions of concern in January by assuring President Reagan that Israel would not attack Lebanon, he made an exception for Palestinian provocations there and possibly elsewhere in the world. Twice in April Israel carried out small-scale air attacks and seemed poised to undertake a major military operation, and in one instance a strong warning by the U.S. Am-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

bassador was necessary to discourage such a move.

In May there was another false alarm. More important, Israeli officials may have gained the impression that while the Administration continued to uphold the cease-fire, it would react only moderately to a limited Israeli action of the sort that had been carried out in 1978. But in retrospect, in light of the continuing Palestinian attacks, it would appear that Israel had already taken the strategic decision to intervene in Lebanon and was waiting for an appropriate opportunity.[1]

This came in June when the Israeli Ambassador to the United Kingdom, Shlomo Argov, was seriously wounded by terrorists. Israel claimed that the PLO was responsible, but information developed later did not confirm this. Aerial bombardment of targets in the Beirut area started immediately, and on June 6, Israeli armed forces crossed the Lebanese border and moved northward. In keeping with the description of the undertaking—"Operation Peace for Galilee"—Prime Minister Begin stated at the outset that Israel's goal was to clear a 25-mile cordon sanitaire in southern Lebanon in which Palestinian forces and arms could no longer threaten Israeli citizens. This was quickly achieved.

During the first week of the war Israelis carried out several highly effective military actions: a surgical destruction of Syrian surface-to-air missiles and 80 Syrian jets shot from the sky, both without Israeli losses. Although the Syrians fought fairly well on the ground, Syria quickly accepted a cease-fire, much to the chagrin of the PLO, and it remained in control of the northern part of the Bekaa Valley. Israeli forces were then able to move northward to the environs of Beirut, free to concentrate militarily on the PLO.

The Israelis wanted the Lebanese Christians to join in the military operation and sweep Beirut, thus eliminating the risk of heavy Israeli casualties. Lebanese Christian forces were unwilling to get into a direct military confrontation with the Palestinians, however, and Israel therefore sought, by heavy artillery shelling and aerial bombardments, to force the PLO to leave Beirut.

By mid-June it became clear that Israel's military purpose was not only to secure southern Lebanon but to destroy the PLO—and that its political aim was to solve the Palestinian issue per se, so as to give it a free hand in consolidating its control over the West Bank and Gaza. Moreover, the elimination of the PLO was intended to lead to a Christian-dominated Lebanon which would be expected

[1] For a revealing account of the background of the war and the formation of Israeli strategy in its opening phases, see Amos Perlmutter, "Begin's Rhetoric and Sharon's Tactics," *Foreign Affairs*, Fall 1982, pp. 71–75.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to sign a peace treaty with Israel at an early date after the war, or to result in a division of the country between Syria and Israel. And finally, if Israeli statements were to be taken at face value, Israel's future purpose was also to confine a Palestinian entity within the territorial limits of today's Jordan on the East Bank.[2]

As the Israeli aerial bombardment was intensified and prolonged, written about daily and portrayed nightly on TV as in the days of Vietnam, increasingly sharp criticism resulted in the United States and elsewhere. This was fueled in the early stages by uncritical media acceptance of exaggerated PLO and Arab claims of casualties and damage, and it was not until later in the war that a more accurate and balanced press presentation ensued.

In the face of Israeli successes, the Arab reaction to the investiture of an Arab capital was one of general indignation but practical helplessness. It was largely limited to rhetorical support. As to the fate of the PLO apparatus in Lebanon, Arab feelings were mixed. Many countries had experienced PLO disruptions, Jordan's very existence had been threatened in 1970, and the Arab world knew what the PLO had done to disintegrate the political fabric in Lebanon. As for the Soviet Union, its military equipment stood discredited by the devastating Israeli attacks on Syrian forces, and it confined itself to denunciation and weak warnings, and to attacks on alleged U.S. collusion with Israel.

That these charges of collusion were unjustified should have been clear even before the operation began. At most, Washington had shown an attitude of tolerance and understanding of Israeli action to free its northern area of threat, and the fact that Israeli forces were initially received as saviors more than conquerors by the Lebanese people, who wanted to be rid of the PLO, was not an insignificant factor. It soon became apparent that the removal of the PLO would give Lebanon the opportunity to put its own house in order and change the conditions in the area in which the Palestinian issue could be addressed. But at the same time, the Reagan Administration insisted from an early stage that this removal be achieved by negotiation, and without the kind of humiliation that could have hardened Arab attitudes on the Palestinian issue beyond the possibility of a renewed peace process. Beneath the surface, particularly after the advent of George Shultz as Secretary of State in late June, the lesson drawn by the Administration was that Palestinian nationalism remained a formidable element in the area, and that the problem had to be solved primarily

[2] See Yitzhak Shamir, "Israel's Role in a Changing Middle East," *Foreign Affairs*, Spring 1982, p. 791.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

politically and with some urgency.

Moreover, despite President's Reagan's clear record of backing and support for Israel, he and his senior advisers were sharply affected by the civilian casualties in Lebanon. There also developed deep feelings at high levels in the Administration that Begin and Sharon had misled the United States as to Israeli objectives.

In these circumstances, Ambassador Philip Habib was the principal actor on the ground in a determined U.S. effort to bring an end to the war, to arrange for a peaceful exit of the PLO from Beirut, and to organize a multinational peacekeeping force. Through July and August, Habib shuttled back and forth between Lebanon and Israel, with side trips to other Arab capitals, and a meeting of the Syrian and Saudi foreign ministers with the Reagan Administration in July helped measurably to overcome an initial Arab reluctance to cooperate with any plan to evacuate the PLO out of fear this might appear as cooperation with Israel. Syria finally agreed to receive PLO fighters, and a number of other Arab countries followed suit.

But it was a long and complex task for Habib to work out the details for a withdrawal of the PLO and a positioning of what became a trilateral initial peacekeeping force of American, French and Italian troops. The Israeli bombing of Beirut continued, its peak being reached in an all-day, highly destructive attack on August 12, which led Reagan to telephone Begin in support of Habib's view that the attacks were impeding his efforts to get agreement. The let-up in Israeli bombing which followed led to the resumption of Habib's talks primarily with former Muslim Prime Minister Salam Salem, who had become the main Lebanese interlocutor.

Finally, agreement was reached and the PLO withdrawal by land and water began on August 21. U.S. assurances—based in turn on clear Israeli undertakings—that the PLO would be allowed to leave in safety, and that remaining Palestinians would not be harmed, were an important element of the agreement, as was the Arab willingness to provide havens for the PLO. At the same time, there is no gainsaying that the military pressure of the Israeli siege around Beirut was a major factor causing the PLO to leave without a further fight. A few of the bombings by Israel, particularly on August 12, were disproportionate, some may have been random. However, most were targeted and intended for the PLO, but the fact that PLO positions were located in crowded civilian areas resulted inevitably in a tragic loss of innocent lives.

While the PLO pullout was in process, Bashir Gemayel was elected president of Lebanon on August 23, and promptly extended the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

hand of reconciliation to the Muslims. PLO leader Yassir Arafat left on August 30, for Greece and then Tunisia and Syria, disdainful of the Arabs, who he felt had given him no effective support. An uneasy calm prevailed in Beirut, and it was accompanied by what in retrospect was a premature exodus of the multinational force. This was primarily due to the domestic sensitivity in the United States to the presence of American Marines in Lebanon, a cogent reminder that the Vietnam syndrome still has a residual influence on the body politic and psyche of America.

Then, on September 1, President Reagan, in a carefully drafted TV address, launched a major new initiative designed to set in motion a renewed peace process building on the Camp David framework and consistent with U.N. Security Council Resolutions 242 of 1967 and 338 of 1973. He called specifically for an interim period of self-government under Palestinian Arabs residing in the West Bank, with negotiations later between Israel, Jordan and the Palestinian Arabs to determine the ultimate status of the territories. He went further to make clear that in such negotiations the United States would oppose both an independent Palestinian state and Israeli annexation of the territories, and would support an association between Jordan and the West Bank and Gaza. Concerned over Israel's policy of creeping annexation, the President also called for a freeze on settlements, but at the same time reiterated U.S. policy toward the PLO, that no dialogue or negotiations would be undertaken as long as the PLO failed to recognize Israel's existence, and added his strong assurance that the United States remained committed to Israeli security and survival and that Israel would not be asked to return to the precarious situation of the pre-1967 period.

It was a bold stroke, brilliantly executed with the advice primarily of Secretary Shultz, who had consulted during the summer both key policymakers and a number of private Americans with Middle East experience. The Israeli military action in Lebanon had had a profound impact on the President, whose full and direct involvement was crucial, for under the American system, as strong as any Secretary of State may be, only the President can wield the kind of influence and power over Congress and the American people required to produce constructive results.

The September 1 proposals at once received strong bipartisan support from Congress and from public opinion, including a number of leaders and organizations of the American Jewish community, who saw positive as well as negative elements in the Reagan initiative and felt it should not be dismissed out of hand. But they were summarily rejected by Prime Minister Begin, who complained about lack of prior consultation (ironically to many Americans, in

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

view of his own record over the year). The Arab reaction was mixed, and at the Fez meeting in early September the Arabs came together on a statement essentially reiterating past positions and—as Vice President George Bush promptly noted—fudging the question of acceptance of Israel in a vague and inadequate formula about peace and the U.N. Security Council.

But before there could be further follow-up, the attention of the world and the Administration was riveted on dramatic events within Lebanon during September.

VI

On September 14, Lebanon's President Bashir Gemayel was assassinated, in a massive bomb explosion. In rapid succession Israeli forces were moved into West Beirut, the Israelis in turn authorized Lebanese Christian forces to enter the two main Palestinian refugee camps, at Sabra and Shatila, and on September 16–19 these forces massacred hundreds of men, women and children in the camps.

World opinion was horrified; the outcry in Israel itself was of deep anguish and disbelief, including a massive protest demonstration. Both internal and external pressure forced a hesitating Prime Minister Begin to agree that a three-man Commission of Inquiry should be appointed to conduct a full investigation. Begin's initial attempt to avoid establishment of a commission and his categorical disclaimer of responsibility added to the seriousness and intensity of the debate within Israel. Inevitably, Israel bore part of the blame and responsibility for the events in the camps, even though there was absolutely no evidence of any direct involvement in the killings by any Israeli soldiers.

The Commission met through November and December, and its report was scheduled for early 1983. In November it issued a notice of possible findings against individuals that included both Prime Minister Begin, principally for the decision to allow the Lebanese Christians to enter the camps in the light of their past record of conflict and bloodshed with the Palestinians, and Defense Minister Sharon, for a host of alleged omissions. Its final report is sure to rekindle debate in Israel, with the possibility of a major impact on the political situation and perhaps early elections.

The full and objective Commission inquiry was impressive evidence that vigorous democratic processes and forces were at work in Israel, and that its people needed no outside prodding in seeking the facts and insisting upon a fair, balanced judgment of responsibility. No comparable outcry centered on the Lebanese Christians who perpetrated the revengeful acts. If a double standard of mo-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

rality was being applied to Israel by the outside world, it was at least in part a reflection of the double standard which the country applied to itself and to Jews everywhere. In Israel, Begin retains strong grass roots support, but the Christian massacres further diminished his standing not only with the Reagan Administration but with the American people.

In Lebanon, Amin Gemayel, brother of Bashir, was chosen president on September 23; he at once appealed for a return of multinational forces to aid in maintaining order, and after a short interval the United States, France and Italy sent reinforced contingents. The sending of American Marines was accepted by congressional leaders with some reluctance, and on the Administration's assurance that they would not become involved in conflict and on the expressed hope that they would be out before the end of the year.

That hope was not realized. Amin Gemayel made some headway in establishing the authority of the central government, strengthening the Lebanese army and assuring its loyalty to the state, and in carrying forward a productive unifying dialogue with the main political and religious factions—an awesome set of challenges. A key difficulty is achieving control over Christian military forces. It will be a long time before even an expanded and reconstituted Lebanese army can cope effectively with the situation, and Gemayel's repeated stress on the continued need for outside forces suggests that American and other peacekeeping forces may be needed indefinitely.

Politically, Lebanon has never fully achieved a genuine internal unity, and the scars of this war are on top of the deep damage of the 1975–77 civil war. The departure of the PLO has removed a major source of division and disruption, but there remain hundreds of thousands of Palestinians who cannot be expelled without major difficulties with the Arab world and the Muslims within Lebanon, as well as a host of deep-seated animosities, some along, but others cutting across, religious lines. The creation of a new Lebanon in which power politically, militarily, and socially can be shared more equitably remains the overriding objective. But a stable, united Lebanon is years away, if indeed it can be achieved.

Yet, while there are some Lebanese who continue to favor a partition, with Christians and Muslims each having their own state, and others who have proposed a Syrian-Israeli condominium, the overwhelming majority favor a unified, single nation-state. Ironically, Amin Gemayel may be better able to make more progress to this end than his brother Bashir, because he has not been directly

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

identified with past military action undertaken by Phalange Christian forces. Gemayel's appointment of Shafig Wassan as prime minister has broad support among the Muslims. Amin's stress on improved relations with Muslims and Druze and on removal of all foreign forces has been well received at least initially, though outbursts of violence and revenge continue. Emergency powers for the president have been extended, and the entrepreneurial spirit and skill of the people and the private sector have begun to make some headway in rebuilding the country physically.

Nonetheless, the problems are monumental. Lebanon's immediate need is money for major rebuilding and reconstruction. Gemayel is looking to oil-producing Arab countries for huge amounts of assistance, estimated anywhere from $10 billion to $25 billion. The Arab record for actually making large payments is not good. Moreover, with a flat world oil market in prospect at least for the next several years, the capacity of Saudi Arabia, Kuwait and the United Arab Emirates to be generous is under constraints. Nor are the prospects good for large amounts of financial assistance from a United States still in the throes of recession and a Congress understandably concerned about budgetary deficits.

U.S. policy has consistently supported the political independence and territorial integrity of Lebanon, and in the wake of the war the United States necessarily assumed a key mediating role in obtaining the withdrawal of Israeli and Syrian forces. President Assad of Syria knows that a continued Syrian presence in Lebanon provides opportunity for influencing internal Lebanese developments, controlling thousands of remaining PLO, and using the Bekaa Valley strategically in defense of Damascus. But there is continuing pressure on him today to extricate Syria from Lebanon if reasonable terms are offered.

While Assad's present internal situation has calmed, the domestic difficulties of the Ba'ath regime as well as the opposition to Assad are serious. Added strains arise from the cost of ongoing involvement in Lebanon, regardless of resupply by the U.S.S.R., and from the continuing risk of military confrontation with Israel. In light of these considerations, an agreement that assures Israeli and PLO withdrawal becomes a proposition which Damascus must consider seriously. The United States could provide an added incentive by holding out the prospect of future support for negotiations over the Golan Heights consistent with U.N. Security Council Resolutions 242 and 338.

Israel wants a stable Lebanon. Its superior military power can assure against a PLO or Syrian military resurgence, but it cannot

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

produce stability in Lebanon, if that can be achieved at all. Stability has to come primarily from the Lebanese themselves, free of occupation though realistically not entirely free for some time of Israeli and Syrian influence.

While an Israeli decision to withdraw has become more difficult in light of Bashir Gemayel's assassination, an indefinite occupation is likely to become more unpopular at home with each new complication and inevitable loss of life. The mounting financial costs, the need of reservists to get back to their jobs and help develop the economy, increased friction with the United States and Europe, and further exacerbation of Egyptian-Israeli relations all point toward ultimate phased withdrawal.

But Begin is also under strong pressure to show clear results from the Lebanon operation. Therefore, two principal conditions will have to be faced to secure Israeli agreement to withdraw along with Syrian and PLO forces: security arrangements for southern Lebanon guaranteeing Israel's northern communities against attack; and some practical arrangements for peaceful relations with Lebanon, including the end of the state of war, open borders, and free flow of trade and tourism. Begin has linked these elements, and while Israel no longer appears to be insisting upon a peace treaty with Lebanon, a less formal written agreement providing much of the above substance will be required for Israeli assent to withdraw.

During the fall of 1982, Israel insisted Arab negotiations be held alternatively in Beirut and Jerusalem, which the Lebanese could not accept in light of the longstanding Arab refusal to recognize the Israeli position in that city. Finally, in December, talks between the Israelis and Lebanese, under the aegis of the United States, got underway, in part on the basis of a memorandum of central points apparently negotiated directly between Sharon and Lebanese leaders. Although the two sides remain far apart on many issues, the underlying factors favoring withdrawal seem to make agreement likely sometime in 1983, with the United States continuing to play a central role through Ambassadors Habib and Morris Draper.

VII

The Reagan proposals of September 1 quelled much of the public outcry among the Arabs for the time being and gave new hope, or at least helped ease the despair, in the Arab world. They moved the focus from crisis control to the peace process and from primary concern over the Soviet strategic threat to the underlying indigenous problems of the region, brought the Palestinian issue to center stage, and shifted the focus on the peace process from Egypt

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to Jordan.

The proposals are a framework, not a blueprint. They are based on several fundamental assumptions: that Israel and Jordan have a common interest in assuring that the ultimate arrangements in the West Bank and Gaza be neither a threat eastward to Jordan nor westward to Israel; that Jordan has no more interest in having a Soviet-Cuban base in the occupied territories than does Israel; that Israeli annexation is ultimately a prescription for war, not peace; that the concept of an exchange of land for peace is at the heart of Security Council Resolutions 242 and 338 and remains valid today; and that negotiations must deal with Israel's security as well as recognition.

In the most basic sense, the importance of the Reagan high-risk but necessary strategy to reassert diplomacy over force lies in the major political debate, dialogue, and ferment it has stimulated in Israel and the Arab world. The American course requires changes of conditions and views in both places, a time-consuming evolutionary process. Unless reasonably early progress can be made, events on the ground may tend to foreclose the fresh diplomatic opportunities which have developed in the aftermath of Lebanon.

In Israel, the debate will be multi-dimensional: under what circumstances Israel should withdraw from Lebanon; whether its security can be better assured by continuing the current Begin policy of increased de facto control of the West Bank and Gaza—or by pursuing, as suggested by the Labor Party, a possible territorial compromise with Jordan if the opportunity develops. These two critical questions will be debated within an environment of the Commission of Inquiry's report and some deterioration in the economic situation, which has escaped closer scrutiny during the war in Lebanon.

The outcome of this debate is not likely to be determined in a definitive way before an Israeli election, perhaps in the latter half of 1983. And the results are unpredictable at this point. It would be a mistake to assume that Prime Minister Begin will be turned out of office at an early date. Begin is a tough political leader. He has strong backing throughout the country, particularly among the Sephardic Jews who tend to be both conservative and strongly nationalistic.

Moreover, the Labor Party continues to be seriously split between Shimon Peres and Yitzhak Rabin factions, and some hope is being expressed that President Yitzhak Navon will decide to throw his hat into the ring as a compromise leader who might be able to unite the party, challenge Begin dynamically, and make deep electoral

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

inroads among Sephardics. The Labor Party has not been able to gain any political advantage from Israel's real anguish over the Palestinian massacres or to exploit its option for a negotiated territorial peace with Jordan in the absence of a clear decision by King Hussein to this end.

The Administration did not make its proposal on the assumption it would necessarily lead to Begin's early defeat. It recognized the high probability of a rejection from Begin, since he is committed to Israeli control over the West Bank and Gaza. But it was also fully aware that yeast would be added to Israeli politics by putting forward a set of reasonable ideas as a catalyst for the peace process. The move was also posited on the assumption that the incentives for any Israeli government to negotiate would be overwhelming if an explicit opportunity developed from the Arab side.

There is a majority consensus in Israel today in favor of Jerusalem as its capital. There is also a majority in opposition to an independent Palestinian state, but there is no majority for annexation of the West Bank and Gaza, primarily because of concern that adding over a million Arabs to a unitary state of Israel could alter fundamentally the Jewish character of the state and weaken seriously the inextricable link between U.S. support and Israel's security. There is a majority in favor of peace, for pursuing it further, and which sees the Reagan proposals as containing both acceptable and unacceptable elements. In the political struggle in Israel, the developing views of the Administration, the Congress, public opinion generally, and of the Jewish community in the United States will have an ongoing impact. Involvement in each other's domestic affairs has been a reality in both countries as long as the special relationship has existed.

Arab positions are, of course, crucial, both in themselves and for their influence on the direction of the Israeli internal debate. Meeting almost immediately after the Reagan proposals, the Arab summit in Fez in September reiterated previous positions—an independent Palestinian state, the PLO as sole representative of the Palestinian people, and the dismantling of Israeli settlements and total Israeli withdrawal from all occupied territories. There was no mention of the U.S. peace proposals. There was also reference to U.N. Security Council guarantees of peace among all states in the region, including a Palestinian state, and by implication also Israel—a retrogression from the original "point 7" of the earlier Fahd plan of 1981, which had called less ambiguously for peace among all states of the region. The price of unity was this least common denominator. While it was not a realistic basis for negotiations, it was the first time since Israel was created 34 years ago that the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Arab nations had come forward with a set of proposals which hinted at coexistence and seemed to favor the diplomatic over the military option. Certainly it was a far cry from the "three No's" of Khartoum in 1967.

For the rest of 1982 diplomatic efforts and public statements centered on whether Jordan's King Hussein could get sufficient support from the Arabs and Palestinians so that he would be prepared to enter into negotiations pursuant to the Reagan proposals. These would have to be within the context of explicit recognition of Israel, and would be looking toward the U.S.-supported outcome of satisfying Palestinian rights through a self-governing West Bank and Gaza ultimately linked to Jordan.

King Hussein is a survivor, a shrewd pragmatist. He has good reason to be wary and cautious. He has over 900,000 Palestinians in the East Bank. He is viewed in the Arab world as a friend of the United States, but has distanced himself somewhat from Washington, having been unwilling to support Camp David or become a participant. He is an accepted member of the Arab world, and his position in the area has been reinforced by his support of Iraq in its war against Iran. He has maintained contact with the Palestinian Arabs living in the West Bank and Gaza and retains some measure of good will.

Hussein wants peace with Israel, but not at any price, since the current status quo is not intolerable for Jordan. Economically, his country is doing reasonably well. Despite the numerous Palestinians, there is no serious internal threat. Externally, Jordan and Israel for years have cooperated informally to assure that no guerrilla or terrorist attacks were launched from the West Bank and Gaza against either. Jordan does not want Cubans or Soviets on its borders; Syria is a sufficient concern. With one of the best armed forces in the Arab world under the command of an outstanding and loyal soldier, General Zaid Bin Shakir, Jordan has force to use in the West Bank and Gaza if necessary to deal with potential threats.

Hussein was deeply disappointed that U.S. diplomacy produced disengagement agreements with Israel for Egypt and Syria in 1974 and 1975, but not Jordan. And it is an open secret that contacts with Israeli leaders have convinced him that even if a Labor government under Peres or Rabin or Navon were to supplant Begin at some future date, there is a wide gap between Jerusalem and Amman as to how much territory would be returned for peace and about effective security arrangements. Hussein has become increasingly more pessimistic over possible territorial terms of settlement as Begin and Sharon have increased their control over the West

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Bank and Gaza. And he has some doubts regarding the staying power and determination of the United States to proceed under pressure.

Hussein has always wanted to know "what light is at the end of the tunnel," and the Reagan proposals provide him for the first time with the U.S. preferences. There is a sense of urgency and a realization in Amman that if the opportunity provided by the Reagan initiative is not grasped, a year or two from now it may not be available. Hussein knows full well that the history of the Middle East has been one of lost opportunities, and he feels time is not on the side of the Arabs.

Hussein's worry that there may be little left in the West Bank and Gaza to negotiate in a year or two is not fantasy. Israel now holds or can take, on the basis of its legal approach, more than half of the land in the West Bank. In a well documented report, Meron Benvenisti, the former deputy mayor of Jerusalem, and his social science colleagues have shown how far the process of Israeli de facto control of the West Bank has gone, including a government-encouraged move to develop suburbs in close proximity areas. Hussein agrees with Benvenisti's description of the current situation in the West Bank as "five minutes to midnight."

Amman assumes no early overturn of the Begin government and sees weaknesses in the leadership of the Labor Party. The intricacies of intra-Arab politics are equally inhibiting. Up to now Hussein has had a red light from the Arab world. The Arab summit meeting at Rabat in 1974 dealt Hussein out as the negotiator and named the PLO the sole representatives of the Palestinian people. Fez did not change this formally, limiting itself to appointing a committee, including Hussein, to explore further the Reagan proposals.

Jordan is not Egypt, and Hussein now wants a clear green light. He is unlikely to get this from a divided and frustrated Arab and Palestinian leadership. He is more apt to get only a yellow, cautious light regarding the Reagan initiative, an ambiguous, informal acquiescence by his moderate Arab brothers, but not their formal approval. While the Israeli desire for explicit Arab commitments is understandable, at the same time indirection and ambiguity too often are as far as a divided Arab world has been able to go.

Where do Arafat and the PLO fit into the future scheme of things?

First, there is no future for the kind of PLO of the past, of non-recognition and reliance primarily on military means. Israel and the United States will not deal with the PLO on this basis, and to their credit the moderate Arabs are trying to change the stance of the Palestinians. If the Arabs continue to view the PLO as a major

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

expression of Palestinian nationalism, aspirations, interests and rights, the challenge for them is to bring about a change.

Second, Yassir Arafat's conduct since he left Lebanon reflects both military and political weakness. PLO fighters dispersed in nine Arab countries are not in the foreseeable future a military threat to Israel, and the PLO has lost much of its past leverage within the Arab world and ability to play off the radicals against the moderates. The limited verbal support the PLO received from the Arabs and the Soviets has reminded the world once again that individual Arab state interests often have priority over Palestinian rights and interests.

Third, the majority of Israelis and Arabs want peace based on coexistence and live-and-let-live. The Arabs are tempted by the Reagan proposals. They have not come to the full realization, which one hopes will evolve, that the Arab states have the upper hand in relation to a tenuously existing PLO devoid of an independent base and under control of the individual nations in which its members reside. The point to be underscored is that the decision relevant to entering the peace process rests primarily with the Arabs at this point, and King Hussein principally; the PLO does not have a practical veto.

Fourth, the PLO remains an umbrella organization, often unable to control the actions or positions of its components. It is not a unified independent entity, and while Arafat has emerged from the Lebanon war as still the strongest and most visible leader, he has yet to prove he can commit the rest of the organization.

Fifth, Arafat is pursuing the Jordanian connection, not the Syrian one. It is U.S. recognition, support, and acceptance he seeks. He is being realistic in this regard since Jordan is the focus of Washington, and if Arafat is to become part of the peace process, that is the door he must open. But at the same time, it must be recognized that while Arafat will maneuver, he is unlikely to give Hussein a free hand. It is not in the interest of the King to make this a precondition of moving ahead with negotiations, but at the same time his position will be strengthened to the extent he can have some degree of understanding with Arafat.

Against this background, an in-depth dialogue between Hussein and Arafat during November and December was an important prelude to the King's meetings with President Reagan in December. In this dialogue Arafat was acting without formal approval of the Palestinian National Council, the PLO's diffuse governing body. As one Council member is reported by *The New York Times* to have said: "Arafat is off on his own. If he comes up with something he

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

will try to sell it to the rest of the leadership. If not, you will hear him singing a very different song very soon."

In his talks with Hussein, Arafat did not deviate fundamentally from his insistence on an independent Palestinian state. As Arafat put it: "We have agreed with our Jordanian brethren that the future relationship between Jordan and Palestine should be confederal. It is a relationship between two nations, each of whom has its special identity within a union and not one state." On the question of Reagan's proposed linkage between Jordan and any future Palestinian entity, Arafat has indicated there should be "a special administrative relationship," the precise nature of which remained purposely vague. This would appear to be an Arafat attempt to satisfy the part of the Reagan plan calling for an association between Jordan and the West Bank and Gaza, while avoiding directly the delicate point of whether any entity would be an independent state, as Arafat wants, or something less as Mr. Reagan has proposed.

A second element in the Hussein-Arafat dialogue which emerged relates to who will represent the Palestinians in any negotiations. Arafat has leaked information that he is disposed to consider two possibilities: an Arab delegation made up of representatives from several Arab countries and a PLO official; or a Jordanian-Palestinian negotiating committee with a revolving chairmanship. Another possibility, less acceptable to the PLO, would be a negotiating team made up of Jordanian and non-PLO Palestinian figures, the latter taking their instructions from the PLO Executive Committee.

On the fundamental question of recognition of Israel, Arafat held tightly to the Fez conference formula, which implied Israeli recognition only ambiguously, and continues to hold out for mutual recognition between Israel and the PLO—which no foreseeable Israeli government is likely to accept. Likewise, he continues to demand total Israeli withdrawal from occupied territories; there is no realistic possibility of getting this from any Israeli government, nor would the United States support total withdrawal.

In the dialogue, Arafat gave no new mandate to Hussein. He did ask the King to explain the PLO view to President Reagan and to report back, and a PLO representative was in close contact with Hussein during his stay in Washington.

Perhaps predictably, Hussein's talks with President Reagan and senior U.S. officials produced no breakthrough on early negotiations. The principal move forward was on the question of the relationship between an ultimate Palestinian entity and Jordan, although there remains a clear difference between Hussein's concept of a West Bank-Gaza self-governing entity subordinate to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Jordan, and Arafat's notion of a confederal nexus which provides for separate and equal status between the West and East Banks or two independent states or entities acting independently except in key areas of defense and foreign affairs. But Hussein was not ready yet to commit himself (or the PLO) to fundamental recognition of Israel, and appeared to assume that the PLO itself would take over leadership in the West Bank and Gaza, rather than, as the President's proposal envisages, the Palestinian Arab leaders residing in the territories. Thus, there are major difficulties even on these subjects, and the talks did not get into other crucial problems such as how much territory would be returned, where the borders would be, and the nature of the security arrangements.

As the meetings made clear, there is a long way to go. The Arab position has not reached the point where the U.S. Administration would be faced with the most difficult part of its strategy: either convincing Begin to shift from his present direction toward annexation of the West Bank and Gaza, to a willingness to negotiate a territorial compromise with Jordan; or pursuing an active campaign to help bring about a change of government in Israel.

But diplomacy will continue, and at the end of 1982 the President and Secretary Shultz made it clear that the United States would persevere in efforts to hasten the peace process and get a momentum going. There are a number of things the United States can do to nudge the procedure, but none can be decisive in assuring early success.

The earliest possible agreement on the withdrawal of all extraneous forces from Lebanon would be generally reassuring and give an added measure of confidence and credibility to U.S. diplomacy. The Administration must continue to reiterate its resolve and its categoric opposition both to an independent Palestinian state and to Israeli de facto annexation of the West Bank and Gaza, including its opposition to any further settlements there. Syrian opposition to the Reagan proposals might be eased by holding out the prospect of another Reagan initiative calling for Syrian and Israeli negotiations over the Golan Heights under the aegis of the United States—a proposal that would not necessarily be unwelcome in Jerusalem.

Toward Jordan, a modest, ongoing economic and military assistance program could also help reassure the King, and continuing quiet encouragement of Saudi Arabia and Egypt to be supportive would also be helpful. And toward Israel the United States should avoid a cut-off or reduction of economic and military assistance for the time being at least, since such a change would merely unify all political parties against U.S. policy and weaken substantial political

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

forces and conditions, currently at work in Israel, favorable to a territorial compromise with Jordan if the opportunity develops.

These are the elements of a steady course; there is no realistic alternative.

VIII

The events in Lebanon and the differences over the Reagan initiative have strained Israeli-American relations and have been disturbing for many American Jews and the diaspora. Recent public opinion polls reflect a less hostile general American view toward the Arab position than in the past. Among American Jews some of the earlier hesitancy to criticize Begin's policy publicly has been set aside. There is deep anxiety, however, that despite President Reagan's long record of commitment to the state of Israel, America's traditional policy of support for Israel might change. There is pride that a democratic Israel has launched a full scale investigation by a Commission of Inquiry, but worry that the report could erode Israeli's unique moral position in the world. A number of American Jews have been making a distinction between Begin's policies and America's commitment to Israel's security, which has served well both Israeli and American interests. There are disturbing examples, too, of anti-Semitism, which are contemptible and have no place in the drama being played out in the Middle East. At the same time, the majority of Jews worldwide understandably continue to want to avoid getting directly involved in the internal politics of Israel. They strongly prefer to let the leaders of Israel proceed unhindered in the belief they know how to ensure the country's security better than outsiders.

Over the years there have been numerous differences between Israel and the United States, but these have been viewed by both parties as well as the Jewish diaspora as primarily family quarrels which time would help resolve. Indeed, for the most part this has been the case. The nature of the current U.S.-Israeli strains unfortunately has dimensions and perceptions unique in the history of the special U.S.-Israeli relationship.

First, there is a lack of the overall coordinated strategy which marked relations for years. The United States must bear some responsibility for the current state of strained relations, because it has not been as clear and precise as it needs to be in indicating to Israel the areas of agreement and disagreement between the two countries in the complicated situation which exists. The near-exclusive emphasis on strategic consensus early in the Reagan Administration gave Israel the impression that the United States

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

was not too concerned over the stalemated autonomy talks. There has been a tendency to undulate between harsh criticism and undue accommodation toward Begin's policies. This has confused both the Likud and Labor in Israel and tended to confound the Arab world as well.

Second, under the Begin government there has been a pattern of independent actions seen as unduly provocative and insufficiently sensitive to U.S. interests in the area.

Third, Begin's word in Washington currently has diminished credibility. It started with the misunderstanding over whether at Camp David he had committed himself to refrain from additional settlements for only three months or for a longer period, as former President Jimmy Carter insists. It has been magnified over Israel's role in Lebanon. The initial U.S. understanding was that Israel sought to free southern Lebanon from PLO threat. Strains were further intensified when Israeli forces moved into West Beirut, contrary to assurances conveyed to Ambassador Habib and given by the United States to the Arabs if the PLO agreed to leave.

And as press reports began to characterize David as Goliath, some of Israel's staunchest supporters were asking, for the first time, some fundamental questions. Had the Israeli margin of military advantage resulting from enormous U.S. support gone too far? Had it contributed to a well coordinated Israeli-American strategy or encouraged Israel in a more independent course? Was a myth developing in Israel that it could ultimately go it alone, that the link between Israel's security and the United States could be loosened, and that the survival of Israel could be independently assured without full access to U.S. and Western technology, credits, and aid over the next quarter-century?

By the same token, as the vividness of the war in Lebanon receded and the emotionalism ebbed, there has developed an appreciation in the United States that the changes in the area following the Israeli military action in Lebanon have brought new opportunities for U.S. diplomacy and for the Lebanese. There is keen awareness that the anguish in Israel over the Christian massacres in Lebanon is genuine and perhaps greater than anywhere else. There is understanding that Israel itself will determine democratically what responsibility its leaders share, that America's commitment to Israeli security is in the mutual interest of both, and that the Reagan Administration is friendly and sympathetic, with no threats having been made to reduce or end essential assistance.

Nonetheless, the danger signs are apparent in Israeli-American relations. The sounds are only in the muted and faint background

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

decibels in Washington. It is in the mutual interest of both Israel and the United States to make an unprecedented effort to assure that a pattern of understanding and cooperation is reestablished. Strains in relations could deteriorate into a U.S.-Israeli confrontation undermining the interests of both.

IX

Developments in the area this past year have once again confirmed the centrality of the U.S. role as the only power acceptable to both sides. The strength of America's position in the Middle East and Gulf is based primarily on its capacity and ability to produce positive political results. The development and maintenance of a credible military presence there is a necessary bulwark for indispensable U.S. diplomacy, not a substitute for it.

In Lebanon it is U.S. diplomacy that must produce in 1983 agreement on withdrawal of all extraneous forces. It is U.S. support which is the key in helping the central authorities to develop an effective armed force that can eventually maintain internal security on its own in an environment of greater confidence, which only the Lebanese themselves can produce. It is U.S. economic support, as modest as it is apt to be, that must help rebuild the country. And, above all, there is continuing reliance on U.S. diplomacy to help calm matters if there is a recrudescence of violence.

U.S. options are limited in relation to the Iran-Iraq war, but the necessary wait-and-see posture at least has the virtue of not foreclosing future opportunities as changes will inevitably occur in both countries. In the meantime, U.S. bilateral assurances to Saudi Arabia are critical, as is continuing support for closer Egyptian-Saudi ties as the most effective intraregional counterpoise to Khomeini's ambitions in the Gulf.

On Afghanistan, continuing U.S. insistence that the conditions laid down in three U.N. General Assembly resolutions—total Soviet withdrawal, Afghan self-determination, and real nonalignment—be met is a sensible policy. Increased U.S.-Pakistan strategic cooperation is necessary, but the United States should continue to urge Zia to ease his internal situation. At the same time there is need to recognize that India is the strongest regional power in the subcontinent, and it would be desirable for the United States to deepen the dialogue with India as a follow-up to President Reagan's discussions with Prime Minister Indira Ghandi in July 1982, if only to assure India that aid to Pakistan is not directed at it, nor is the United States seeking to fuel historic Islamabad-Delhi suspicions and animosities.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The overriding immediate need is for the United States to press for early progress in resolving the current Palestinian phase of the Arab-Israeli dispute in the changed, more favorable conditions and environment following the war in Lebanon. Time is an important factor if diplomacy is not to be dwarfed. President Sadat was fond of saying, "all the cards are in your favor." The United States faces another paramount test as to whether the power and influence it can bring to bear is commensurate with its interests and responsibilities.

Events in this past year have illuminated boldly the disparity in the respective roles of Washington and Moscow in the area. Moscow did less than in any previous Arab-Israeli war. Its activity was largely tangential: an exchange of letters between Brezhnev and Reagan; political support of Arab moves at the United Nations, which expectedly were ineffective in influencing the course of events in Lebanon; resupply of Syria after it had suffered huge losses and had agreed to a cease-fire; an insistence with its Syrian ally that the problem was Syrian pilots and Israeli manpower superiority, not faulty Soviet equipment; willingness to reaffirm its commitment to Syria's defense under the Friendship Treaty, but no go ahead to Assad to escalate the Lebanese conflict; and only verbal support to Arafat and the Palestinians once Begin made it clear the Israeli target was Beirut and the PLO, not Damascus.

There were many reasons for Moscow's reticence. It has come to view the Middle East and Gulf as unstable, unpredictable, and an unreliable environment for pressing Soviet interests; a divided Arab world could no longer be used as the Soviets tried to do earlier, in a Nasser-led radical nationalist Middle East pointedly directed at U.S. and Western interests; the Israeli military superiority in Lebanon was manifest at the outset; Arab leaders failed to support the Palestinians; oil-producing Arab nations are oriented to the West economically and today can act more independently of Soviet influence than in the past; the anti-Soviet orientation of Khomeini is a factor; there is also reduced Soviet influence in Iraq, and Moscow finds itself in an uncomfortable position between Baghdad and Tehran and Damascus; there is concern that Assad of Syria might not survive; and there is suspicion in the Muslim world resulting from the continuing Soviet occupation of Afghanistan.

There are other major reasons for Soviet inaction in the area which emanate from its own internal situation. While during the Brezhnev era the U.S.S.R. achieved nuclear parity with the United States and a better standard of living for its citizens, today the Soviet orbit is in acute difficulty—a society of low motivation with

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

vital sectors of its economy in serious trouble, a seed of democracy in Poland, a restive Eastern Europe, a fundamental cleavage with communist China, and a drain in Afghanistan and Cuba—these problems preoccupied Brezhnev and face the successor leadership under Communist Party General Secretary Yuri Andropov.

The maintenance of the relatively favorable position of the United States in Mideast diplomacy will depend ultimately on whether both sides can be brought to the negotiating table, concentrating on the Palestinian issue realistically, and whether Washington can produce positive political results. The Arabs in particular know the Soviets can help them make war, but only the United States can help them make peace. The Soviets are unlikely to expend much prestige and resources in the near term in the area, and Andropov's prime focus is to prevent U.S. deployment of its cruise missiles and Pershing II's in Western Europe, and slow down America's defense buildup.

For the time being, the Soviets are more apt to limit themselves primarily to supporting the leaderships in the Middle East friendly to them. The U.S.S.R. will continue to support publicly the position taken by the Arabs at Fez, and downgrade the Reagan proposals, but will not be effective in influencing Hussein away from the new U.S. diplomatic direction.

Historical perspective is important. De Gaulle once said diplomacy can only alleviate, not solve. Cease-fires alleviate, peace solves. For over 30 years there was no recognition, no contact, no negotiations, no progress on the Arab-Israeli dispute. In the short time span of the last eight years, however, U.S. diplomacy has led to three disengagement agreements, the Egyptian-Israeli treaty, and Camp David. Now it is being tested anew in Lebanon and on the Palestinian issue. The characteristic of Mideast diplomacy is that it has moved on a step-by-step basis from the difficult to the more difficult.

American activism in the peace process has a deterrent effect on violence in the area. American realism and optimism as an operational principle is a necessary psychological antidote to pessimism, despair, frustration and fear, and America's determined and persistent involvement and leadership is indispensable. The parties cannot do it by themselves.

The object has to be to make irreversible the momentum and force for peace in the area. Nobody can be sure this is realistically achievable. It is worth the continuing try, if for no reason other than there is no better alternative.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Alan Riding

THE CENTRAL AMERICAN QUAGMIRE

The absence of major developments in Central America over the past year has wrought important change: no longer are revolutionary movements about to triumph or be crushed, no longer do insurrections or invasions seem imminent. Rather, Central America has gone from being an ulcer that a new U.S. Administration thought it could lance and heal in a matter of months to a running sore that will plague the United States for years to come.

Leftist guerrillas and ultra-rightists continue to joust without verdict over the ruins of the isthmus. The United States and Cuba remain deeply involved, but seem unsure of the direction of their policies. Peace negotiations are promoted by such third parties as Mexico and Venezuela, but are never actually held. And, without exception, the region's economies are being eroded by high foreign debts, low world commodity prices and shrinking markets for their products. Through stagnation, Central America has become just the sort of problem that solution-oriented officials in Washington traditionally handle badly.

The Reagan Administration, however, shows few signs of adjusting its perceptions to this qualitative change. Rather, it still seems too much under the illusion created during Mr. Reagan's own election campaign—that, at least in Central America, the United States can lay down the law. After all, if President Carter's soft policies permitted leftist expansionism in the region, a hard-line strategy could surely reverse it. The economic, political and historical dynamics of the region were therefore dimissed as largely irrelevant to the basic power play. And the new Administration marched confidently toward the quagmire.

It began by responding militaristically to what it saw as a military problem posed by the Soviet bloc's insurgent proxies in the region, but the guerrilla movements have survived in El Salvador and Guatemala and have appeared for the first time in Honduras and Costa Rica. In May 1981, it then proposed what became the Caribbean Basin Initiative (CBI) as a way of recruiting Mexico,

---

Alan Riding, who is Mexico Bureau Chief for *The New York Times*, has reported from Central America since 1971.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Venezuela and Canada to help bolster the economies of friendly countries; but Washington's partners soon went their own ways, while additional U.S. aid was too little and too late to prevent economic crises from aggravating political unrest. Most recently, the Administration chose democracy as the theme of Mr. Reagan's 24-hour swing through Central America in December 1982, yet even this seemed little more than a disguise for further isolating Nicaragua and supporting the army-dominated governments of El Salvador, Guatemala and Honduras.

To judge by its record, then, the Administration has not found the right answers. And the reason is that it has not asked the right questions. Certainly no consensus has emerged between Washington's and the region's analyses of the problem: Central America believes political solutions are to be found at home, while Washington's global vision suggests that control of external forces—read Moscow, Havana and Managua—holds the key; Central America blames external forces, such as depressed world commodity prices, for its economic crises, yet Washington acts as if they can be resolved largely through internal austerity measures—as if communism can be combatted with poverty.

Washington's ineffectiveness, however, is matched by similar confusion on the Left. Cuba wavers between supporting armed revolution and negotiated settlements, and between imposing its own leadership and tolerating the idiosyncrasies of different guerrilla groups. The Sandinists hover uncertainly between a Marxist-Leninist state and the social democratic model that many Nicaraguans would prefer, between exporting revolution and appeasing their nervous neighbors. The alliances of different guerrilla groups in El Salvador and Guatemala display even greater ideological disarray, with some organizations favoring the "prolonged popular war" strategy to achieve an absolute victory and others willing to accept a smaller quota of power through peace talks.

Finally, there is the depressing dimension of the region itself, where the struggle for power seems more critical than the battle of ideas, where personalities are more important than principles. And, no matter what fantasies are projected by idealism or ambition, in the end it is sheer underdevelopment—political, religious and cultural, as well as economic—that determines the limits of hope. It is a region where only the short term exists for the tens of thousands who die violently each year, and the long term is only marginally less bleak. And it is a region where the leftist, centrist and rightist solutions all proved wanting in 1982.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

II

Nowhere is the lack of progress more evident than in El Salvador. And nowhere is U.S. frustration greater. The year began with the hope that the March 28 elections for a constituent assembly would mark a turning point in the country's unhappy history. To be realistic, it was a hope tempered by awareness that no effort had been made to involve the guerrilla coalition known as the Farabundo Martí National Liberation Front (FMLN) and its non-Marxist allies in the Democratic Revolutionary Front (FDR). But when a large number of Salvadorans turned out to vote—despite stepped-up guerrilla activities and even rebel attacks on some polling stations—optimism seemed justified. On a rare occasion when the Salvadoran people were consulted, they opted for peace. And from that point of view, the elections were a success. But the outcome was not.

Within hours of the polls' closing, the political bickering began, much of it in the office of the U.S. Ambassador to San Salvador, Deane Hinton, who called in party leaders to discuss the results. Washington had clearly hoped that the elections would serve to legitimize the two-year-old de facto alliance between President José Napoleón Duarte's Christian Democrats and the armed forces under Defense Minister General José Guillermo García, thus enshrining the concept of "centrist" government that would justify continuing U.S. military aid against the Left. But the Christian Democrats won only 40 percent of the vote, and a bevy of more conservative parties, led by the Nationalist Republican Alliance (ARENA), ganged up against them.

The head of ARENA, retired Major Roberto d'Aubuisson, a man long identified with rightist death squads and even thought to be linked to the March 1980 murder of Archbishop Oscar Arnulfo Romero of San Salvador, himself made a bid to be named interim President by the Constituent Assembly, but this was blocked by the army under pressure from Washington. Instead, Alvaro Magaña, a moderately conservative lawyer with no power base of his own, was appointed President, leaving d'Aubuisson as President of the Assembly.

Since then, El Salvador's new experience in democracy has consisted of endless political in-fighting, some reversal of the timid land reform decreed in early 1980 and little progress toward drawing up the new constitution which must be in place before the general elections scheduled for March 1984. Further, having helped to install democracy the Reagan Administration has been forced to work almost exclusively through the armed forces—and particularly General García—in order to get its way.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Washington's freedom of action, moreover, has been limited by the requirement that, twice yearly, it must certify to Congress that El Salvador is advancing toward democracy and respect for human rights and is making serious efforts to clarify the killing of four U.S. churchwomen in December 1980 and of two U.S. labor advisers in January 1981. The Administration has duly provided this seal of approval whenever required, but it has nevertheless been forced to dedicate enormous energy to the human rights question, ensuring that much-publicized steps in the investigations into the murder of its citizens occur prior to each certification. In October, Ambassador Hinton was even forced to denounce the country's "rotten" judiciary system in order to revive the dormant investigations. Similarly, just days before President Magaña met Mr. Reagan in Costa Rica on December 4, there was an orchestrated flurry of news about the investigations, while a government Human Rights Commission was created. Mr. Reagan was then able to anticipate the next certification in January 1983 by noting that "great progress" was being made on human rights in El Salvador.

Washington's own preferred obsession, however, is the fight against the FMLN, but this too has been fraught with frustration. U.S. military aid, including a squadron of A-37 fighter planes, continued to pour into El Salvador, between 40 and 50 U.S. advisers kept up in-country training and some 1,500 soldiers and officers underwent special counterinsurgency training in the United States. Yet the guerrillas not only survived but probably improved their own military capacity, launching major offensives prior to the March elections, in July and again in October. Little guerrilla activity occurred in San Salvador and other cities, but the army was unable to dislodge the FMLN from its strongholds in Chalatenango and Morazán provinces and around the Guazapa volcano, just north of the capital. The army's response at times even seemed aimed at keeping the rebel movement alive: instead of using guerrilla tactics to defeat the guerrillas, it would wait for the FMLN to seize small northern towns before dispatching convoys of troops—which were routinely ambushed—to evict them. After a couple of weeks, the troops would then return to their urban garrisons and the guerrillas would regroup.

While the guerrillas have not been defeated, however, they have also not advanced significantly. Except in their mountain havens, where some set-piece battles have taken place, they have not gone beyond ambushes and sabotage, both effective weapons in demoralizing government troops and maintaining economic disarray, but neither sufficient to lead them to a military victory. Politically, they have relied on squabbling among the official parties and continued

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

human rights violations by the security forces to improve their image by default. But the population's apparent indifference to their call for a popular insurrection during the March elections was evidence that the powerful pro-guerrilla student-worker-peasant coalitions of the late 1970s had been largely dismantled. The FMLN responded to this lesson—the second unheeded insurrection call in two years—by emphasizing the need for more political work among the masses, but the results have yet to be seen.

While using occasional military offensives to prove they were still alive, the FMLN-FDR have given priority to mobilizing international support for a negotiated settlement. And here, the differences among the five FMLN groups and the two FDR parties have become important. The line-up, though, has not been between Marxists and non-Marxists. The Popular Social Christian Movement, headed by Rubén Zamora, a dissident Christian Democrat, and National Resistance, a member of the FMLN, work closely together and are considered the most disposed to step in from the cold. At the other end of the spectrum are the Chalatenango-based Popular Forces of Liberation, whose legendary leader, Salvador Cayetano Carpio, still has difficulty pronouncing the word "negotiations" and who believes that prolongation of the war is preferable to surrender disguised as peace.

In the middle are the other FMLN groups. The Salvadoran Communist Party, with virtually no guerrilla force of its own, favors a negotiated settlement that would permit it to resume its political work among trade unions. The Revolutionary Party of Central American Workers, on the other hand, has neither political nor military importance, but it follows the leadership of the Morazán-based People's Revolutionary Army, which has the strongest guerrilla force and would support a settlement that gave the Left a genuine share of power. Finally, there is Guillermo Manuel Ungo, the social democrat president of the FDR, whose political future clearly depends on a democratic outcome but who also recognizes that the strength of the FMLN-FDR lies in its unity.

By postponing elaboration of a detailed negotiating position, the alliance was able last October to issue a new call for an unconditional dialogue with the powers that be. And it even persuaded the acting Archbishop of San Salvador, Msgr. Arturo Rivera y Damas, to deliver the proposal—duly signed by the leaders of the seven groups—to President Magaña, General García and Major d'Aubuisson. But this offer was received no better than earlier initiatives. In August, the Assistant Secretary of State for Inter-American Affairs, Thomas O. Enders, had welcomed President Magaña's idea

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of forming a Commission for Peace as "an important step toward national reconciliation." And he added: "Dialogue must involve listening as well as talking, giving an opportunity to adversaries to explain how they could participate in the new democratic institutions." But, six months after Mr. Enders' seemingly conciliatory phrases, the Commission For Peace had still to be formed, while the FMLN-FDR's definition of "dialogue" was clearly not what the U.S. official had in mind. Washington therefore dismissed the opposition's new peace offer and El Salvador's government, army and legislative leaders all quickly followed suit.

III

The Reagan Administration's unwavering objective, in fact, would seem to be the cleansing of leftists from Central America. And, in this strategy, Honduras has come to play a crucial role. In a sense this is not new, since the Carter Administration loaned Honduras ten Huey helicopters to patrol its sieve-like border with El Salvador in 1980. In the hope of improving counterinsurgency cooperation between the neighbors, Washington also pressured Honduras and El Salvador to resume diplomatic relations in December 1980 for the first time since their 1969 border war. And in 1981 Washington urged the Honduran army to improve its interception of arms flowing from Nicaragua through Honduras to the Salvadoran rebels. That these efforts were largely fruitless was blamed by U.S. officials on the inefficiency of the Honduran army, although in reality the main shipments of weapons took place in late 1980 and relatively few have entered El Salvador since then.

But in 1982, after General Gustavo Alvarez Martínez took over as chief of the Honduran armed forces, the United States at last had an efficient ally in its crusade. A tough Argentine-trained officer, General Alvarez more than compensated for the fact that the army had formally surrendered power to a civilian government at the time he took over the armed forces in late January. And with Roberto Suazo Córdova the titular President, it soon became apparent that General Alvarez was in charge, assuming responsibility not only for internal security, but also indirectly for expelling the leftists from both El Salvador and Nicaragua. It was, after all, a regional problem, and he saw himself playing the role of a latter-day Francisco Morazán, Central America's nineteenth-century liberator.

In June 1982, the Honduran army acted for the first time in coordination with El Salvador's armed forces by serving as one half of a pincer closing on the Salvadoran rebels in Morazán. And this

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

move was repeated in both Morazan and Chalatenango in October. Honduras' motives, though, were not entirely charitable. In the process, the Honduran army also occupied a series of "bolsones," or pockets of territory, in dispute with El Salvador since the 1969 war. On Honduran maps, the "bolsones" appear as part of Honduras and on Salvadoran maps as part of El Salvador, but they had been demilitarized pending a settlement and served as convenient havens for the guerrillas. But while their absorption by Honduras resolved a short-term problem for El Salvador, it sowed the seeds for a new dispute in the future.

Having suffered a defeat in the 1969 war, most Hondurans still view El Salvador with greater distrust than Nicaragua. But not so General Alvarez, whose anti-communism far surpasses his nationalism. Instead, his attention has been focused almost obsessively on the Sandinists, happily allowing Honduras to be used as the springboard for a counterrevolution.

His passions have been rewarded by Washington. In 1982, U.S. military aid to Honduras tripled to over $33 million, with between 60 and 90 U.S. advisers in the country at any one time. Washington also donated $13 million to enable three Honduran air strips to receive C-5 and C-130 troop carriers in case of conflict with Nicaragua, while U.S. forces participated in joint maneuvers with the Honduran army in July as part of an effort to build up troop strength along the Nicaraguan border on the Atlantic Coast. New "war games" in the same area were scheduled for early December, but were postponed to avoid coinciding with President Reagan's trip to the region.

The covert aspect of Honduras' role against Nicaragua was even more important. Although former National Guardsmen from the ousted regime of General Anastasio Somoza Debayle—the so-called Somocistas—had been allowed to launch attacks from Honduras into Nicaragua soon after the July 1979 revolution, they only emerged as a serious force in 1982 after the Central Intelligence Agency moved to organize them. The purported purpose of the $19-million budget approved by President Reagan in late 1981 was to create a paramilitary force to intercept the flow of arms to Salvadoran rebels. But the real objective was evidently different: to create an anti-Sandinist army capable of destabilizing and perhaps eventually overthrowing the revolutionary regime.

For this, Washington was able to rely on the cooperation not only of General Alvarez, but also of the Argentine army, which both trained former National Guardsmen in Buenos Aires and dispatched several dozen military intelligence agents to Honduras to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

advise the new insurgents. Coincidentally, Washington helped pull together numerous exile groups into the Nicaraguan Democratic Front (FDN) and began presenting it as a broad anti-Sandinist—rather than a Somocista—movement. And by August 1982, the results were apparent with the rapid escalation of incursions and border clashes and even the appearance of rebel columns deep inside Nicaragua. The long-awaited invasion—not by Honduran troops, as frequently predicted, but nevertheless an invasion—had begun. And even the publicity given by *Newsweek* in October to Washington's "secret war" did little to slow the mounting border conflict. In December, however, Congress formally barred the Reagan Administration from supporting military operations aimed at overthrowing the Sandinist government, though some officials suggested that ways of circumventing this constraint might be found.

In fact, only Argentina's role seemed to change significantly. During last spring's Falklands war, Nicaragua gave vocal support to Argentina in the expectation that the Buenos Aires government would withdraw its support for the Somocistas. But while some Argentine military officers did apparently leave Honduras, they were once again very much in evidence there last fall, above all as advisers to General Alvarez. In late November, one Argentine officer, Hector Francés, who claimed to have defected, revealed many details of the Argentine operation in a video-taped statement shown to reporters in Mexico City.

Apparently embarrassed by this and anxious to win renewed support for its claim to the Falklands from the nonaligned nations' movement, Argentina then promised Nicaragua in December that all Argentine advisers would finally be withdrawn from Central America. The coincidental visit to Honduras last December by Israeli Defense Minister Ariel Sharon therefore prompted speculation that Israel might soon replace Argentina as an arms supplier and adviser to the Honduran army and its Somocista allies.

Honduras, however, did not emerge unscathed from its new involvement in the region's problems: for the first time, political positions inside the country began to polarize. It was an unfortunate development because, while the poorest country in the region, Honduras had long lived in peace with itself. The military regimes that ruled the country through much of the 1960s and 1970s were corrupt, but they tolerated press freedom, labor and peasant organizations and the vocal leftism of students. At times, they were even mildly reformist and, between 1978 and 1981, as unrest convulsed their neighbors, they wisely chose a neutralist stance.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

But, paradoxically, the arrival of democracy coincided with a souring of the country's mood as General Alvarez, counselled by his U.S. and Argentine advisers, led Honduras into the regional fray. Above all, a new feeling of fear appeared in the air. A number of guerrilla actions took place, the most prominent being the seizure of over 100 hostages in San Pedro Sula's Chamber of Commerce in September. But, no less ominously, repression increased as General Alvarez embarked on what his aides described as "a preventive war" against the Left. By October, the country's bishops were alarmed. "One can easily perceive a clear disenchantment in many sectors of the population that went to the polls with so much hope," they said in a pastoral letter. "There is a general feeling of greater fear and of less freedom." While combating perceived threats to its security from Nicaragua and Cuba, then, the Honduran regime generated potentially more serious instability at home.

IV

It is a familiar mistake. Nicaragua's Sandinist regime has also chosen to emphasize the counterrevolutionary threat from Honduras and Miami and to minimize the role played by domestic policies in stirring new opposition.

The threat from abroad is genuine enough. There are some 5,000 FDN "contras"—armed and trained by the CIA, the Honduran army and Argentine advisers—operating out of camps in Honduras or inside Nicaragua itself. And their targets are not only Sandinist army and militia positions, but also agricultural production, aiming to create a climate of terror that will discourage peasants from picking such vital export crops as coffee and cotton. Further, on Nicaragua's Atlantic Coast and in such border areas as Nueva Segovia, the "contras" also enjoy some support among sectors of the population that did not participate in the 1979 revolution.

Elsewhere, though, the fact that most rebels are—or are believed to be—former National Guardsmen has helped the Sandinists to revive some of the spirit of their 20-year struggle against the Somoza regime, while the disclosures by *Newsweek* and others served to give credibility to their perennial charges of CIA operations against the regime.

But this external threat has also become the justification for tighter internal control. Nowhere was this policy more disastrous than among the Miskito Indians of the Atlantic Coast, whom the Sandinists first angered by ignoring their strong cultural identity and then further alienated by evicting them from their land beside the Coco River after one Miskito leader, Steadman Fagoth Muller,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

joined forces with Somocistas in Honduras.

Then, in March 1982, after two bridges in northern Nicaragua were bombed, a state of emergency was declared, giving the regime wide powers of arrest, suspending the activities of all political parties and imposing censorship on the media, principally the opposition daily, *La Prensa*. A new official premise also appeared: anyone who did not openly support the Sandinists against "la agresión" was by definition a counterrevolutionary, a category that gradually embraced Archbishop Miguel Obando y Bravo of Managua, *La Prensa*, the leaders of the Superior Council of Private Enterprise, and opposition parties, including the Nicaraguan Democratic Movement, headed by former junta member Alfonso Robelo Callejas. By squeezing the Center, however, the Sandinists strengthened the opposition.

For the record, the Sandinists insist that they stand by their original pledge to maintain political pluralism, a mixed economy and a nonaligned foreign policy; they explain that any delays in the execution of this program are the result of the external threat. In early December, they even promised that new political parties and electoral laws would be adopted by the rubber-stamp Council of State this year in anticipation of elections in 1985.

But the Sandinists dominate all aspects of the nation's life through their powerful military, party and bureaucratic machines. And they have not only moved farther and faster to the Left than many Nicaraguans hoped, but they have also concentrated power in the hands of the nine-man National Directorate to such an extent that any suggestion of concessions to the opposition is vetoed by the radicals. The issue, then, is not how truly Marxist-Leninist the regime will become, but rather how Stalinist; once again, it is less a question of ideology than one of power. After all, throughout Nicaraguan history, every change of regime has come about through force of arms.

Not surprisingly, then, many Nicaraguans who supported the revolution are disillusioned. It was inevitable that the different groups that fought the Somoza regime should have different ideas about what should follow. And it was unavoidable that many ordinary Nicaraguans would have inflated expectations about how the new government would transform their lives. Yet there is a broad consensus that the revolution has not turned out as expected—that there is both less prosperity and less freedom than anticipated.

During 1982, non-Somocista opposition to the Sandinists began to grow. Robelo, who became the regime's strongest critic after he resigned from the junta in April 1980, went into exile in neighbor-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ing Costa Rica in March 1982. The following month, Edén Pastora Gómez, the renowned Commander Zero of the revolution who had left Nicaragua in July 1981 disenchanted with the revolution, publicly denounced the radicalism of his former colleagues. Robelo, Pastora, the Miskito leader Brooklyn Rivera and a long-time fighter against the Somoza regime, Fernando Chamorro Rappaccioli, subsequently formed the Revolutionary Democratic Alliance (ARDE). Unwilling to join forces with the Somocistas in Honduras and threatened with expulsion from Costa Rica if they went beyond political activities, they posed no direct threat to the Sandinists. Yet, adopting a social democratic stance (though not endorsed by the Socialist International), they offered a more realistic option than the Nicaraguan Democratic Front in Honduras.

And as former Sandinist officials became disenchanted with the regime they naturally turned to ARDE. In December, Nicaragua's Ambassador to Washington, Francisco Fiallos Navarro, articulated the feelings of many Nicaraguans when he called for a "dramatic change" in the direction of the revolution, including an end to press censorship, the lifting of the state of emergency and the convocation of early elections. When his ideas, contained in an interview with *La Prensa*, were censored, Fiallos resigned, noting pointedly in a press conference that Pastora (who is referred to only as "the traitor" in Nicaragua's official press) "is a patriotic man [who] should be part of the process within the revolutionary movement."

Pastora's calls for negotiations with the Sandinists and for elections by June this year, however, were duly ignored, leaving ARDE with the choice of opening up a military front or gambling that mounting internal problems would eventually create an opportunity for action.

V

Costa Rica is clearly unwilling to serve as a military springboard against the Sandinists as it did against the Somoza regime, but most Costa Ricans are as anti-Sandinist today as they were anti-Somoza in early 1979. They also feel the bitterness that comes with being deceived: they—from the then President Rodrigo Carazo Odio downwards—cooperated with the Sandinists because they thought Nicaragua would become a democracy modeled after Costa Rica. In reality, Carazo remained a loyal friend to the Sandinists until he left office in May 1982, determined not to blemish his historic role in the overthrow of General Somoza. But he was almost alone. And, from the day the new President, Luis Alberto Monge, took

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

office, he built his foreign policy around vocal hostility towards Managua. It was popular at home and, he hoped, popular in Washington because, in exchange, he needed massive U.S. aid to save the Costa Rican economy and, thereby, its democracy.

The resulting verbal warfare between San José and Managua has spread tensions throughout the region, with every bombing, kidnap attempt, strike or student march in Costa Rica now unfailingly blamed on the Sandinists, the Cubans or even the Soviets themselves. Despite sporadic acts of "imported" terrorism, though, Costa Rica's democratic system—the oldest in Latin America—has withstood the country's worst economic crisis since the Great Depression without serious strain. And even Costa Ricans' evident fear of Nicaragua's military might has not resulted in pressure to reconstitute the country's army, which was dismantled 34 years ago. Although living standards are falling rapidly, events elsewhere in the region appear to have convinced most Costa Ricans that a period of severe austerity is a small price to pay to preserve their democracy.

VI

In contrast to Costa Rica, Nicaragua, Honduras and El Salvador, whose destinies seem interwoven, Guatemala has lived its most recent cycle of bloody political instability in dark isolation. Yet most analysts believe that, because of its strategic location, its larger population and its natural resources, Guatemala is the most important country in the region. Guatemala was also where the most significant political changes occurred in 1982, due ironically neither to the United States nor Cuba but to the internal dynamics of a deeply complex nation.

From the moment General Romeo Lucas García took office in July 1978, paramilitary bands set about wiping out the social democratic parties and the left-leaning labor and peasant organizations that had been allowed to emerge in the mid-1970s. Literally hundreds of non-violent opposition leaders were murdered and many more went into exile. By squeezing the reformists, however, the regime stimulated the revolutionary movement which for the first time in the country's history succeeded in mobilizing important sectors of the Indian community, which comprises over half the total population. And as repression in the countryside grew, so did guerrilla strength. But such was the regime's human rights record that Congress was able to prevent even the Reagan Administration from resuming U.S. military aid, which had been suspended since 1977. And Washington's hopes that elections in March 1982 would

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

bring some improvement were frustrated when the army resorted to fraud to impose the victory of the official candidate, General Aníbal Guevara.

But on March 23, three weeks after the elections, before Guevara could take office, General Lucas was overthrown by young officers disenchanted with the corruption of his regime, and General Efraín Ríos Montt, whose election victory in 1974 had been blocked by fraud, was installed in his place. An intense, born-again Christian belonging to a California-based Protestant sect, Ríos Montt immediately set about cleaning up the country with the zeal of a missionary. He promised to end corruption and control the rightist "death-squads" that had long terrorized urban areas. And having first offered the guerrillas an amnesty, which they duly ignored, he declared a state of siege on July 1, and launched a new counterinsurgency offensive across the western highlands.

Unlike the counterproductive repression of his predecessor, though, Ríos Montt's approach was methodical and politically sophisticated, albeit no less brutal. It required massacres of selected Indian villages identified with the guerrillas and, as terror neutralized support for the rebels in surrounding areas, a strategy known as "beans and rifles" was applied, involving distribution of food and creation of civil patrols among the rural population.

In a matter of six months, between 3,000 and 5,000 Indians were killed, some 250,000 were displaced from their homes, 30,000 fled into Mexico, 80,000 peasants were pressganged into civil patrols—and the guerrillas' popular base was largely destroyed. The government also launched a propaganda offensive, blaming the massacres on the guerrillas, an argument that failed to convince Amnesty International, Americas Watch and assorted other human rights groups, but did persuade President Reagan, who proclaimed that Guatemala had suffered a "bum rap" after he met Ríos Montt in Honduras, on December 4. And, having been assured that Guatemala was on the road back to democracy, Mr. Reagan lifted the five-year-old arms sales embargo in January, allowing Guatemala to buy $6.3 million in military equipment from the United States.

The irony is that, without U.S. weaponry or advisers, Guatemala proved infinitely more effective in dealing with its guerrillas than El Salvador. And the depressed and divided state of the Guatemalan Left gave credibility to Ríos Montt's year-end claim that he had defeated the rebels politically. But few guerrillas were among the dead. And Guatemalan history teaches that, in the absence of a political "opening" accompanied by socioeconomic reforms, the guerrillas will recover the center stage, one, five or ten years hence.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

For the moment, though, Ríos Montt holds the initiative, if only because he is politically unpredictable. Despite his announcement of elections for a constituent assembly in March 1984, for example, he is unlikely to surrender power voluntarily for years to come, if only because of his deep dislike for the country's traditional political parties. But he does have strong populist instincts, and the stern sermons that he has delivered to the private sector could augur some unexpected reforms.

VII

Divided by politics, the five republics of Central America are united by common economic crises. Although deep poverty is endemic to all countries except Costa Rica, the entire region had enjoyed two decades of steady economic growth until the first political convulsions of the late 1970s. But in 1982, full-scale slumps themselves became major contributors to political instability. All five economies recorded negative growth, accompanied by high inflation and rising unemployment. And, in each country, the reason was essentially the same: the 1979 oil-price hike, followed by a slump in commodity export prices, led to increased foreign borrowing at interest rates which poor countries could not afford. Financial crises were then aggravated by the flight of capital escaping political unrest, forcing governments to impose stiff austerity programs in exchange for renegotiation of their debts. All except Nicaragua turned to the International Monetary Fund for assistance.

Among the numerous extra-regional players in the Central American drama, only Mexico and Venezuela—perhaps because of their own development difficulties—have recognized the importance of economic viability to political tranquility. Meeting in Costa Rica in August 1980, Mexico's then President José López Portillo and Venezuela's President Luis Herrera Campíns agreed to provide oil to the entire Caribbean Basin with a 30-percent credit—and without political strings. This facility alone cost each country some $350 million per year, while both made significant development grants and loans in the region, notably to Nicaragua (which additionally received 100-percent credit for its oil imports from Mexico). And, despite growing domestic economic difficulties in 1982, both Mexico and Venezuela decided to maintain the so-called San José Accord on the grounds that, if they were in trouble, weaker countries were even worse off.

In contrast, while the U.S. Congress last September approved $350 million in additional aid as part of the Caribbean Basin

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Initiative, the U.S. program was not only politically selective (excluding Cuba, Nicaragua and Grenada), but it was also built largely on the dubious premise that private enterprise could lift the region out of its slump. In the end, even this premise could not be tested because, despite strenuous Administration efforts, the "lame-duck" Congress adjourned in December without approving the trade preferences and investment incentives contemplated in the CBI. The "one-way" free trade area for the Caribbean Basin had in fact been endorsed by the House of Representatives before running up against an unrelated filibuster in the Senate, and President Reagan promised to resubmit it in the 1983 congressional session. But, even if the CBI is eventually adopted, businessmen are unlikely to invest in countries with sinking economies and political unrest.

In fact, despite their sharp political differences, the governments of Central America seem agreed that the answer to their economic problems lies in strengthening the public sectors, either by the proceeds earned through increased world commodity prices or by more direct financing. And, unable to borrow more from commercial banks, they are increasingly dependent on such multilateral institutions as the World Bank and the Inter-American Development Bank and on the U.S. Agency for International Development. The scale of the problem can be well illustrated: at a time when the United States was offering $350 million as its contribution to socioeconomic progress in the region, the five countries calculated that, together, they needed an emergency $5 billion in financial support and a further $20 billion in development aid through 1990. And, without a world economic recovery or a massive injection of funds, political stability will remain elusive.

The Reagan Administration, though, has been absorbed in the search for less costly "political solutions," mainly through isolating the Left in individual countries and the region as a whole. But the questionable success of this crusade has subjected Washington to widespread criticism, not only, predictably, from the Soviet bloc, but also from its allies in Latin America and Western Europe. As a result, rather than changing its approach, the Administration has been forced to dedicate much of its time and energy to blocking the more conciliatory "solutions" offered by Mexico, Venezuela, Panama, France and the Socialist International.

The most ambitious initiative came from Mexico's López Portillo who, during a visit to Nicaragua in February 1982, offered to act as "communicator" to enable Washington to negotiate with Havana and Managua. But while Mexico's then Foreign Secretary held talks with the three governments, the Reagan Administration showed

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

only sufficient interest to avoid offending Mexico. In the case of Cuba, Retired General Vernon Walters, an ambassador-at-large in the State Department, held secret talks in Havana with President Fidel Castro, but there was no follow-up. And, in the case of Nicaragua, Washington initiated an exchange of position papers with the Sandinists, but then buried the dialogue by failing to respond to Nicaragua's last diplomatic note in August 1982.

Part of the weakness of Mexico's advocacy was that the López Portillo government was closely identified with both the Sandinists and El Salvador's FMLN-FDR (which, with France, it had recognized as "a representative political force") and had been unable to coordinate its initiatives with Venezuela, which was aligned with the United States in the region. But, by mid-1982, Venezuela's position began to change, not only because the Christian Democrats were excluded from the Salvadoran government (Duarte and Herrera Campíns are old friends), but also because Washington's support for Britain in the Falklands war stirred anti-U.S. sentiments in Caracas and, indirectly, prompted Herrera Campíns to seek a rapprochement with both Nicaragua and Cuba.

By September 1982, Mexico and Venezuela were able to launch their first joint political initiative. In personal letters to Reagan and the leaders of Nicaragua and Honduras, López Portillo and Herrera Campíns warned of the threat of war between Nicaragua and Honduras and offered to serve as hosts for a "peace" summit between Honduras' Suazo Córdova and the Coordinator of the Nicaraguan junta, Daniel Ortega Saavedra.

But, once again, Washington seemed to resent this "interference" in its sphere of influence. And in response, the Administration organized a regional Forum for Peace and Democracy in Costa Rica, October 4—including Honduras and excluding Nicaragua—which issued its own peace plan calling for an end to arms trafficking and export of "subversion" in the region and for the withdrawal of all foreign military advisers from Central America. Honduras then endorsed this plan, which seemed directed entirely at isolating the Sandinists, and turned down the Mexican-Venezuelan proposal. From the San José meeting also emerged the theme—the search for democracy—that enabled President Reagan to embrace the leaders of all Central American countries except Nicaragua during his trip to the region.

The switch of emphasis from military to democratic solutions for Central America was clearly the result of Alexander M. Haig's replacement by George P. Shultz as Secretary of State in mid-1982. But, by the end of the year, it also seemed apparent that style rather

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

than policy had changed. When General Haig had been breathing fire toward Central America, Administration officials had urged regional analysts to look at deeds rather than words. And now, though the words are softer, the same advice could apply. Since Shultz took over, the Administration has moved no closer to accepting the Nicaraguan revolution or to recognizing the need for a negotiated settlement in El Salvador. And the region has moved no closer to peace.

VIII

Now, with formula solutions clearly unavailable, the Administration faces a series of thankless options. Most likely and least ambitiously, Washington will just try to muddle through—that is, to involve itself just enough in Central America to contain leftist expansionism but to risk neither economic nor political capital on a more fundamental approach. But this policy leaves a vacuum of clear leadership that could be filled by unpleasant surprises. Traditionally, though, Washington has preferred to react to surprises rather than to anticipate them.

Alternatively, encouraged by the setbacks suffered by Guatemala's guerrillas and by the stalemate in El Salvador, Washington could go all out to reverse President Carter's "loss" of Nicaragua by trying to topple the Sandinist regime. Certainly, Enders and many of the old Southeast Asia hands working with him (including the U.S. Ambassador to Honduras, John D. Negroponte) seem intent on winning the kind of war in Central America that was lost in Vietnam. Further, although congressional restraints may make it difficult to continue providing covert assistance to Somocista "contras," a large amount of weaponry has already been supplied and the Honduran army could serve as a conduit for further aid. But this scenario would also risk sparking a regional war. And there is reason to hope that cooler heads would avoid creating a situation in which Nicaragua might appeal for Cuban help and Washington then decide to send in U.S. combat troops to support Honduras.

A third option, though, does exist. Guided by pragmatism rather than ideology, by long-term U.S. national interest rather than short-term Administration objectives, Washington could embark on an open-minded endeavor to develop political stability and economic viability in the region. It would, of course, require a much greater economic investment than anticipated by the CBI, as well as recognition that leftists exist—and the fruits of this approach might take years to mature. Yet only by accepting the need for fundamental economic and political change can the United States even begin to hope that stability will return to the region.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

To build this "new" Central America, however, is not just a question of pouring in more money or accepting the principle of negotiations in El Salvador and with Nicaragua. Rather, Washington must first switch its focus away from Cuba as the problem and toward Mexico and Venezuela as the solution. So far, because the United States has failed to address the key question of change, Cuba has retained the philosophical advantage in the region. And because Mexico and, more recently, Venezuela have criticized U.S. policy, Washington has seen them as somehow allied to Havana. But, because they too see the need for reforms but oppose Marxist-Leninist revolutions, Mexico and Venezuela are, in a more realistic fashion, competing with Cuba.

In essence, they are motivated by self-interest, and have concluded that a Caribbean Basin dominated by either Washington or Havana will be constantly unstable and therefore a problem to them. Their policies, though, have at times seemed contradictory: Venezuela was simultaneously supporting both Nicaragua's Sandinists and the Salvadoran government the Sandinists were purportedly trying to oust; and Mexico, a cheerleader for El Salvador's FLMN-FDR, refused to support Guatemala's leftist guerrillas when that country's civil war threatened to spill over into its territory. Yet, through the San José economic accord, both Mexico and Venezuela are investing heavily in the stability of the region. And, as Latin Americans, their political intervention in Central America is much more acceptable than that of the United States.

The new cooperation between Mexico and Venezuela was in fact one of the few positive developments in 1982. The Reagan Administration, though, is clearly hoping that Mexico's new President, Miguel de la Madrid, will abandon his predecessor's activist policy in the region and that Venezuela will become increasingly absorbed by the campaign for its December 1983 elections. But neither is likely to occur: just after his inauguration, de la Madrid indicated his intention of pursuing a common approach with Venezuela. In the middle of January 1983, the Mexican and Venezuelan—as well as the Colombian and Panamanian—foreign ministers met in Panama to discuss possible new diplomatic initiatives for Central America.

Finally, withdrawal from the region by Mexico and Venezuela would not be in Washington's long-term interest. Rather, with Mexico and Venezuela sharing economic and political responsibility for the future of Central America, the United States might at last risk a creative and imaginative approach to the region's nightmare.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Susan Kaufman Purcell

WAR AND DEBT IN SOUTH AMERICA

Latin America was a media event in 1982. "The fire next door" in Central America continued to make front-page headlines. In the spring war broke out between Argentina and Britain in the South Atlantic, where space-age weapons were used to fight a conflict that seemed a throwback to the nineteenth century. By the end of the year the debt crisis was center stage, with Argentina, Mexico and Brazil struggling to avoid default on a collective foreign debt of $200 billion.

The story of Central America is told elsewhere in this issue. But what is easy to overlook is its impact on the Reagan Administration's policy thrust in South America. Preoccupied with falling dominoes in the U.S. "backyard," Reagan regarded South America as important more for its potential contribution to the U.S. effort in Central America than for itself. South America's military governments were seen as possible providers of training and weapons to their beleaguered Central American counterparts. The relatively wealthy democracies, especially those bordering on the Caribbean, were viewed as potential donors of economic assistance. Whether military or economic, however, South America's involvement in Central America would make U.S. policy there seem less unilateral.

Concern that hostile external forces might at some point expand their efforts beyond Central America—even to the strategic Southern Cone—led the Administration to set particular store on a much warmer and more cooperative relationship with the military regimes of the area. Moreover, the Reagan Administration clearly rejected its predecessor's strong and public preaching on human rights. Seeking to undo the perceived damage, the Administration adopted a low-profile human rights policy that stressed behind-the-scenes persuasion. It complemented these efforts with frequent high-level military visits aimed at further cementing U.S. ties with South America's anti-communist authoritarian regimes.

In the event, it was the most courted of these regimes, the junta

---

Susan Kaufman Purcell is a Senior Fellow and Director of the Latin American Project at the Council on Foreign Relations. From January 1980 through June 1981, she was a member of the State Department's Policy Planning Staff.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in Argentina, that launched the Falklands war. Faced with a choice between two allies, the Administration attempted mediation; but when this failed it came down on the side of Britain—in a fashion that increased what in any event would have been adverse reactions in Latin America. One of the results was to dramatize the ineffectiveness of hemispheric security machinery. Another was to turn Latin American countries further away from what they perceived as a U.S. obsession with the East-West threat. The security emphasis that had marked the policy of the Reagan Administration was dealt a hard blow.

Then, in the summer, the debt crisis broke out in Argentina and Mexico, and by December, in Brazil. Initially, the Reagan Administration's international economic policies had emphasized the private sector and downgraded multilateral lending institutions, especially the International Monetary Fund (IMF). But in response to the crisis it moved by the end of the year to a radical change in its policy toward the IMF and acted unilaterally to provide emergency loans to the affected countries.

It was, in short, a year in which the South American policies initially proclaimed by the Reagan Administration were tested and found wanting. While its ability to change with events was a welcome sign, it remained to be seen whether a South American policy was evolving that would be more in tune with the dominant economic and social concerns of the area.

II

The facts of the Falklands conflict are well known and need not be repeated in detail.[1] After years of sporadic attempts to persuade Great Britain to negotiate Argentina's claim to the islands, which Britain had administered since 1833, Argentina decided to take them by force. Britain responded to the April 2 invasion by sending a 35-ship task force to the South Atlantic, invoking the right of self-defense. During the nearly three weeks it took for the British fleet to travel the 8,000 miles to the Falklands, efforts were made to find a diplomatic solution. On April 3, the U.N. Security Council called for a withdrawal of all forces, a cessation of hostilities and negotiations between Argentina and Britain. The European Economic Community imposed economic sanctions on Argentina several days later. But by far the most ambitious and spectacular attempt to avoid military conflict between Britain and Argentina was the long-

[1] For a detailed account of the military aspects of the conflict, see Lawrence Freedman, "The War of The Falkland Islands, 1982," *Foreign Affairs*, Fall 1982, pp. 196–210.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

distance shuttle diplomacy of U.S. Secretary of State Alexander M. Haig, Jr.

Haig's intense personal involvement was perhaps a natural attempt to avoid having to choose between a European and a Latin American ally. Although there apparently were some officials within the Reagan Administration who argued for a tilt toward Argentina, there was never much doubt that the United States would ultimately side with Britain. This is not only because U.S. security concerns in Europe were paramount and the Thatcher government strongly supported U.S. policies there. Also relevant was the fear that the wrong signal might be sent to friends and foes alike were the United States to tolerate the use of force for purposes of settling territorial disputes.

Despite herculean efforts, Haig's shuttle diplomacy failed. Argentina insisted that the sovereignty issue be resolved in Argentina's favor *prior* to any negotiations. For Britain, this would negate the whole point of negotiations, which was to resolve disputed sovereignty claims. It would also constitute a British capitulation to Argentina's use of force. Although the United States had never taken, and continued not to take, a position on the sovereignty issue, it agreed with Britain that a sovereignty decision should be the object rather than a precondition of any negotiations. By the end of April, when it became clear that diplomacy was not working, Haig announced the U.S. decision to side with Britain. Limited economic sanctions were ordered against Argentina and the United States supplied fuel, missiles, ammunition and intelligence (but not manpower) to Britain.

Even before the surrender of the Argentine forces on June 14, the United States became the target of strong criticism—both for the role its policies had played in fostering unrealistic expectations about U.S. support on the part of General Leopoldo Galtieri's government, and for the mediation effort. The criticism is well-placed, although it is important to emphasize that the invasion grew primarily out of Argentina's history and present circumstances.

For more than a century, Argentine schoolchildren have been taught that the Malvinas (Argentina's name for the islands) belong to Argentina. Since the 1960s, small innovations in British administration of the islands had encouraged Argentina to believe that Britain would eventually transfer the islands to Argentina. As the 150th anniversary (in January 1983) of the British seizure of the islands drew closer, Argentina's patience began to wane. This coincided with a period of deepening political and economic deterioration within Argentina. The guerrilla threat of the mid-1970s

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

had receded into history. The Argentine public intensified its demands for an accounting by the military of the thousands of "disappeared" persons and for an end to military rule. The military were also blamed for inflation rates of over 100 percent, growing unemployment, economic stagnation and corruption. Thus they sought ways to bolster their sagging popularity and thereby set the terms for the transition to civilian rule that might prove necessary. The taking of the Falklands, given the nationalist surge it would produce, seemed a made-to-order solution.

The Argentine decision to invade the Falklands showed clearly that U.S. policies designed to increase U.S. influence over South America's military regimes and obtain their cooperation had not only failed in the case of Argentina, but also had achieved the opposite effect. U.S. attempts to enlist the Argentine military in an anti-communist alliance gave the generals an exaggerated sense of their importance to the United States that caused them to make several costly miscalculations.

First, they believed that the United States would not oppose an Argentine invasion of the Falklands—both as a quid pro quo for Argentina's support of U.S. hemispheric security policy and because the United States was pro-Argentine. With the United States out of the picture, and the advantage of geography on their side, the military believed they could defeat any attempt by Britain to recapture the islands.

But the generals never really thought the British would fight. This second major miscalculation was partly a result of the generals' insularity. Accustomed mainly to their version of strategic military thinking, the generals decided the islands lacked strategic importance for Britain. They apparently did not take into account the role that British domestic pressures and the "end of Empire" psychology would play in determining the British response. Moreover, the generals' error in judgment also grew out of their belief that the United States, acting under principles dating from the Monroe Doctrine and reiterated in the Rio Pact (the Inter-American Treaty of Reciprocal Assistance), would do everything in its power to prevent European ships from entering and doing battle in hemispheric waters.

The criticism of Haig's shuttle diplomacy centers mainly on its style. Had the Secretary of State made clear from the beginning that the United States would support Britain should a negotiated settlement prove impossible, Latin America's sense of betrayal when the United States dropped its neutrality might have been reduced. U.S.-Latin American relations might also have been less impaired

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

had Haig been more willing to involve other Latin American governments in his mediation effort. But one also cannot help asking whether Haig should have undertaken the mediation effort at all, since a telephone call from President Reagan to President Galtieri the day *before* the invasion had failed to dissuade the general from his course.

III

In the wake of the Falklands conflict, there were many who thought that U.S. policy during the war had inflicted serious and lasting damage on U.S. relations with Latin America. In the event, such predictions seemed exaggerated, but there was a significant residue which could affect future hemispheric cooperation on security issues.

On the one hand, Latin American unity and support for Argentina were weaker than they appeared on the surface. Brazil, Mexico and Colombia, for example, considered the Argentine invasion a violation of international law, as did the United States. Countries that risked losing territory if Argentina's use of force became a valid precedent for solving territorial disputes were lukewarm toward Argentina. These included Chile (whose Beagle Islands are claimed by Argentina), Guyana (two-thirds of whose territory is claimed by Venezuela) and Colombia (whose offshore islands are claimed by Nicaragua).

On the other hand, support for Argentina's claim to the Falklands was very strong. For the Latins, Great Britain's control of the Falklands was anachronistic and illegitimate in an age of decolonization. The sending of the British fleet into Latin American waters and the sinking of the Argentine cruiser *General Belgrano*, which cost hundreds of Argentine lives, revived memories of late nineteenth-century British economic dominance in the hemisphere and cast the Falklands conflict in a North-South context.

Within this context, Great Britain, not Argentina, was the aggressor and it would have been logical to take collective hemispheric action against Britain under the provisions of the Rio Pact. This did not occur. The Organization of American States (OAS) did pass two resolutions, one supporting Argentina's claim to sovereignty over the Falklands and the other condemning Great Britain's "unjustified and disproportionate armed attack" against Argentina. On both resolutions, which passed by 17 votes, the United States abstained. This compounded the overwhelming sense of betrayal experienced by Latin America when the United States openly sided with and aided Great Britain. It also served to reaffirm U.S.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

distinctiveness from, as opposed to kinship with, its southern neighbors.

Latin America responded by playing up its differences with the United States. One obvious issue on which to vent anti-U.S. feelings was the role of the OAS. Arguing that the Falklands conflict had proved the organization useless for protecting the hemisphere against invasion by extra-hemispheric powers, some Latin American spokesmen argued for its abolition. Most critics, however, merely demanded structural reforms and perhaps the organization's transfer from Washington to Latin America.

The other target was the East-West conflict and U.S. preoccupation with communist subversion in the hemisphere. South Americans in particular began to argue with greater frequency that the East-West conflict served U.S. interests by making it difficult for Latin America to expand its economic ties with communist countries and thereby reduce its dependence on the United States. They also increasingly took issue with the idea that the Soviet Union or its so-called surrogates posed a security threat to the hemisphere. This position was understandable in view of the fact that Soviet activity in South America had always been limited, communist parties were weak and Marxist guerrilla movements in South America were few and small.

These arguments were reinforced by actions signaling a stronger commitment to nonalignment on the part of some countries and its rediscovery on the part of others. Colombia and Venezuela in particular formally applied for membership in the nonaligned movement. Together with Mexico, they adopted a lower profile in support of the Caribbean Basin Initiative, the program designed to provide non-Marxist Central American and Caribbean states with investment incentives, preferred access to U.S. markets and increased economic aid. Venezuela, which had strongly supported U.S. policy in El Salvador until the March 1982 elections there, joined with Mexico in urging negotiations between Honduras and Nicaragua and a peaceful settlement of the crisis in Central America. And Colombia's new president used President Reagan's visit to his country in December as an opportunity to criticize U.S. policy toward Marxist regimes in the hemisphere.

Such sentiments were not new. Dissatisfaction with the OAS had existed almost since its founding, because of successful U.S. efforts to use the organization in fighting the cold war. And Latin America had been flirting with nonalignment at least since the early 1970s, when Mexico had led the Third World's call for a New International Economic Order. In point of fact, Latin America for some time

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

had wanted the United States to relate to it in North-South rather than East-West terms and to focus on economic rather than security issues. It took the Falklands conflict to focus U.S. attention on these tension points in the Latin American relationship.[2]

The situation was more complex, however. For, despite its differences with "the colossus of the North," Latin America also felt a common sense of hemispheric identity with the United States. This explains the sense of betrayal Latin Americans experienced when the United States sided with Britain in the Falklands war. Traditionally this sense of hemispheric identity has been described as the "Western Hemisphere Idea." It posits the existence of common historical experiences between the United States and Latin America and, by extension, common interests and perspectives. The most salient shared experience was colonization by European powers, but Latin America and the United States also share their location in the relatively isolated Western Hemisphere. In contrast to the "old" societies of Europe, they are "new" societies, faced with similar challenges of forging identities and building political, economic and social institutions that blend the old with the new. Shared problems lend themselves to cooperative solutions. The "Western Hemisphere Idea" thus leads easily to the concept of hemispheric cooperation for mutual benefit.

From the Latin American perspective, the United States has adhered to a very narrow concept of inter-American cooperation that focused on hemispheric security to the virtual exclusion of everything else. Even U.S.-sponsored programs that ostensibly involved economic cooperation, such as the Alliance for Progress of the early 1960s and the more recent Caribbean Basin Initiative, had an anti-communist thrust.

Latin America, however, has had a very different conception of the "Western Hemisphere Idea." Impressed by U.S. economic growth, the Latins have wanted the United States to aid in achieving high and sustained rates of growth (but with no strings attached). In the political sphere, the situation was more complicated and ambiguous. Characterized by authoritarian governments throughout much of their history, Latin American countries nonetheless contained important groups that aspired to live under democratic rule. The cooperation that these Latin Americans desired from the United States was subtle and involved support for evolving demo-

[2] Viron P. Vaky, "The InterAmerican System in the Falklands Aftermath," Paper prepared for the seminar on "U.S.-Latin American Relations in the post-Malvinas Era" held at the Woodrow Wilson International Center for Scholars, July 15, 1982.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cratic forces, practices and institutions, short of intervention in the political processes of the countries of the region.

While the Latin version of the "Western Hemisphere Idea" never supplanted the security-oriented U.S. version of the concept, some movement toward the former had been achieved during the early years of the Carter Administration. The first year of the Reagan Administration, however, was viewed as a regression. Once again, the United States was obsessed with the East-West conflict, leading it to downplay democracy and to strengthen its ties with authoritarian regimes. Reagan's economic policies also seemed to turn back the clock.

As a region characterized by economies with large state sectors, Latin America found particularly objectionable Reagan's proselytizing in favor of private-sector solutions to economic development problems. The Administration's efforts to reduce the role of multilateral lending institutions such as the IMF, the World Bank and the Inter-American Development Bank (IADB), on the grounds that they had contributed to excessive growth of unproductive state sectors in Third World economies, undermined private sector potential, and failed to apply strict conditionality to their loans, were also deeply resented. Finally, the wealthier developing countries of Latin America, such as Brazil and Mexico, were especially disturbed by the Administration's desire to "graduate" them and other advanced Third World countries from eligibility for these low-cost loans on the grounds that they were sufficiently developed to pay higher interest rates in the commercial market.

Thus, by the middle of 1982 there was a wide gulf between U.S. and Latin American conceptions of the "Western Hemisphere Idea," and Latin American countries were sharply critical of the international economic policies of the Reagan Administration. On the first point, the fallout from the Falklands conflict made continued U.S. emphasis on collective security untenable; it remained for events, in the form of the Latin American debt crisis, to force the Administration to reexamine its economic policies.

IV

Technically speaking, the debt crisis was not a Latin American or an inter-American issue but a global issue. Latin America, however, accounted for nearly half of the Third World's $500-billion foreign debt. The three largest debtors—Brazil, Mexico and Argentina, which owed $85 billion, $80 billion and $40 billion respectively—were all Latin American. The most heavily exposed

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

commercial banks in the region were the major U.S. money-center banks. All of these factors gave an important regional dimension to the debt crisis.[3]

The explanation for Latin America's particularly high indebtedness lies with the level of development of its major debtors and the strategies they pursued to achieve it. Brazil, Mexico and Argentina made a big push throughout the 1970s for rapid and sustained industrial growth based in large part on what was then cheap and plentiful borrowed capital. Interest rates were relatively low and petrodollars had to be recycled. Advanced developing countries such as Brazil, Mexico and Argentina, with their large populations and expanding economies, became attractive borrowers—often more attractive than the Organization for Economic Development and Cooperation (OECD) countries, whose economies were not growing nearly as fast.

Initially, everything seemed to work out well. Brazil and Mexico in particular often achieved growth rates of eight to ten percent annually, though for different reasons. Brazil vastly increased its export capacity and sought new and more diversified markets, particularly among Third World countries. In the Mexican case, impressive growth of petroleum exports allowed major investments in economic and social infrastructure. Argentina's rich agricultural export base, wealthy and well-educated population, and apparent political stability during the late 1970s made it an attractive target for lending during that period.

By the early 1980s, however, things began to unravel. The combination of factors that put the European and U.S. economies into deep recession began to undermine the development strategies of the advanced Latin American countries. Since much of the debt was at variable interest rates, they suddenly found their escalating interest payments consuming an even larger share of their export earnings. The recession in Europe and the United States exacerbated the problem by reducing both the quantity and price of Latin American exports to the industrialized world. For Brazil, the situation was particularly acute since it was more reliant on Third World markets especially hard-hit by the recession.

While the signs of what was to occur were there to see by late 1980, few people were looking for them. Instead, the Latin American countries, together with the industrialized countries and the commercial banks, clung to their belief that an end to the recession

[3] For a more detailed analysis of the Latin American debt crisis, see Pedro-Pablo Kuczynski, "Latin American Debt," *Foreign Affairs*, Winter 1982–83, pp. 344–364.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

was around the corner. In the meantime, continually expanding credit needs of the major debtors were met by increasing recourse to short-term, higher-interest loans in 1981 and early 1982.

Argentina was the first to feel the liquidity crunch. Unable to absorb the direct and indirect costs of the Falklands war and the impact of the recession, the country suspended payments on principal in July 1982. This, in turn, caused foreign banks to become wary and reduce their lending to Latin America.

The slowdown in bank lending contributed to the liquidity crisis in Mexico, which had been hard hit by falling oil prices. In August the government requested a standstill on repayment of principal, an eventual restructuring of its debt and new money from banks and governments in order to continue payments of interest. It is to the credit of the Reagan Administration (and particularly Federal Reserve Chairman Paul Volcker) that it put its ideological preferences for private-sector solutions to economic problems aside and made available, at record speed, $1 billion in Commodity Credit Corporation credits, a $1-billion advance purchase of petroleum for the Strategic Petroleum Reserve and nearly $1 billion in U.S. Treasury credits under a swap agreement between the two countries' central banks. U.S. officials also worked closely with the IMF and Mexico to put together a $3.9-billion IMF loan package for Mexico. But many in the Administration believed that U.S. assistance to Mexico was a special case because of our shared border and our intensely intertwined economies.

By September it was already clear to most of the member countries of the IMF, whose representatives were assembled in Toronto for the Fund's annual meeting, that a major international financial crisis was looming and the IMF was inadequately funded to meet the increased demands placed on it. Mexico was manageable, but it was only the tip of the iceberg. If several large debtors should require simultaneous bailouts, the Fund would not have sufficient resources. If it was clear to most of the Fund members that the resources of the IMF had to be greatly increased—the consensus figure was by 100 percent—the United States remained unconvinced. Arguing that such a great increase could encourage fiscal irresponsibility, the United States favored only a 25 percent increase.

The next crisis—that of Brazil—made the United States reconsider its position. Hit hard by the contraction of private capital flows to Latin America in the aftermath of the Falklands war and the Mexican crisis, Brazil found itself on the verge of default by November. The United States responded with a $1.2-billion loan,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

announced by President Reagan during his November visit to the country, and with an additional $300 million in December. The United States also went along with a two-year extension (until 1985) of Brazil's export subsidy system. Finally, U.S. officials again found themselves working closely with their IMF counterparts to make available IMF credits totaling nearly $5 billion.

But the IMF's $5 billion alone would not solve the problem. Additional commitments from private commercial banks were also essential. December thus found high-level officials of the Reagan Administration engaged in a joint effort with IMF officials to persuade private banks both to restore their lending levels to where they had been before the summer and provide new money to Brazil. Similar efforts were made on behalf of Argentina, which began negotiating for a $2-billion IMF loan, and for Mexico, where private lending had also been sharply reduced.

The Brazilian crisis forced the Reagan Administration to make a final break with its original stance on multilateral lending institutions and private sector solutions to economic development problems. At a December meeting in Europe of the world's major industrialized powers, the United States agreed to a 50-percent increase in quota payments to the IMF and supported an expansion of the Fund's basic lending resources from $62 billion to $93 billion. U.S. Secretary of the Treasury Donald Regan then broke new ground by suggesting that the five industrialized nations present (the United States, Germany, France, Britain, and Japan) create a system of emergency financing for nations needing loans to tide them over for short periods of time. Mr. Regan had gone even further in a talk in Washington several days earlier in which he had suggested the convening of a Bretton Woods-type conference to discuss ways of strengthening the international monetary system. That his statement did not yet represent an official Administration position was evident when Secretary of State George Shultz called the idea premature. Shultz then argued for shifting the emphasis from the debt issue to the problem of how to expand world trade, on the grounds that a resolution of the former would be impossible without the latter.

The Shultz position is essentially that of Latin America and other Third World nations. With interest payments consuming between 35 and 45 percent of the export earnings of the three big Latin American debtors, while exports continue to stagnate or decline, these countries cannot hope to live up to their financial obligations. In fact, they have already failed to do so in some respects. By December, Argentina, Mexico and Brazil had all announced sus-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

pension of payments of principal. It is not clear what, if anything, would sufficiently improve their liquidity to allow them to resume such payments in the near future.

There is also reason to question whether any of these countries will be able to implement the austerity programs to which they have committed themselves as a condition for receiving IMF funds. Both Argentina and Mexico have poor track records on cutting government spending. Brazil's performance has been more credible, but for this very reason there is little more Brazil can do internally to improve its financial position. If the current economic crisis continues, austerity may have politically costly implications for all three. High rates of unemployment, combined with escalating costs of basic commodities for the poor and a pronounced deterioration in the purchasing power of Latin America's heretofore privileged middle class, constitute a potentially explosive mix.

Instead of pushing the situation to its limits, these governments will probably relax their austerity programs to what they believe to be politically tolerable levels domestically—and gamble that the IMF, the commercial banks and the major industrialized countries will accept their decision, since failure to do so could produce a major default and possibly a collapse of the international financial order. Their gamble would probably pay off. The IMF, the governments of the major industrialized countries and the large commercial banks would probably conclude that some austerity is better than none, and that nothing justifies pulling the plug on countries whose default could create international financial chaos.

But it is one thing to decide not to pull the plug and another to come up with the new flows of capital that must continually be injected into the Latin American economies to keep them afloat. Although the United States is now committed to increasing its contribution to the IMF, for example, it is by no means certain that Congress will appropriate the additional funds. The less than enthusiastic response of members of the House Banking Committee to Treasury Secretary Donald Regan's advocacy in December of increased financial resources for the IMF is a disturbing development that could affect the largesse of other industrialized countries toward multilateral lending institutions. Nor does congressional inaction on the trade preferences contained in the President's Caribbean Basin Initiative augur well for keeping U.S. markets open to Latin American exports or for Secretary of State Shultz's aim of expanding world trade.

As 1982 drew to a close, therefore, the debt problem was far from resolved. However, the spectacular turnaround in the Reagan

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Administration's international economic policies and the increasing convergence between its views on the issues and those of Latin America were bright spots on a rather gloomy horizon.

V

The debt crisis coincides with a generalized trend in South America toward civilian rule. Peru and Ecuador were the first to change, installing civilian presidents during the Carter Administration. In 1982, the Bolivian military undid its 1980 coup by installing as president the man they had earlier ousted. Uruguay, still under military rule, held elections in 1982 for party leaders as a first step toward civilian rule. The result was an overwhelming victory for candidates opposed to the military.

Most impressive, however, because of the sheer size of the electorate and the tranquillity with which people lacking voting experience cast their ballots, were the November 1982 elections in Brazil. While the results implied probable military control of the presidency through the remainder of the decade, opposition candidates gained control of the country's most economically powerful states. In Argentina, the defeat of the military in the Falklands conflict, combined with their gross mismanagement of the economy, have increased pressures for early elections. Even in Chile, where General Pinochet still seems to be in control, a rapidly deteriorating economy is triggering calls for a return to democracy.

In the economic crisis of the 1930s, most elected governments in Latin America fell. That and historical experiences elsewhere have produced the conventional wisdom that democracies lacking strong roots are unviable in times of severe economic crisis, and that the strong hand of the military is needed to guide such societies toward economic recovery.

We do not yet know whether Latin America's current economic crisis will be as severe as the one in the 1930s. A recent annual survey of the Inter-American Development Bank concluded that Latin American economies, which grew at an average rate of nearly six percent over the past decade, will register overall growth rates of only 1.6 percent for 1982. With no signs yet of substantial recovery among the industrialized countries, there is little prospect in the foreseeable future that Latin America's economic growth rates will return to former levels. Some countries may even experience declines.

We should not rush to conclude, however, that slow economic growth in the 1980s will inevitably produce social unrest and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

military coups. It may. But South America's military establishments in particular are no longer the economic innocents they were in the 1930s. The military have now had several opportunities to put their nations' economic houses in order. Their policies have run the gamut from liberal free-trade to protectionist state-directed development strategies. Nothing has provided a definitive solution and in some cases the results have been almost totally negative.

Given this situation, South America's military establishments may be considerably more reluctant to depose elected governments trying to cope with economic crises. At the same time, support for the military from key groups in society, particularly in the middle class—traditionally a prerequisite for successful coups—may be less forthcoming in view of the loss of faith in the military's economic abilities. The result could well be that civilian governments may be around for some time despite the dismal economic situation.

If, however, the economic crises do lead to social unrest, mass demonstrations, violence or insurrection, military takeovers may prove unavoidable. Unlike the 1960s and 1970s, however, the military governments of the 1980s could be as short-lived as their civilian counterparts. Latin American societies are now more complex and their problems more intractable than in the past. To state it differently, they are more difficult to govern by recourse to fiat and force.

The implications of this for U.S. policy toward Latin America are important. Reagan's courting of South America's military regimes was at least partially based on the assumption that they would be with us for some time. That may be how it looked in 1980. But the view was different by 1983, when all bets were off on the staying power of both military and civilian governments. Given this situation, and in view of our values and traditions, it may be time for the Reagan Administration to give democracy, rather than authoritarianism, the benefit of the doubt. President Reagan's trip to Brazil and Colombia in late 1982 was a step in this direction. It should be followed by new initiatives in 1983 that reinforce the version of the "Western Hemisphere Idea" that stresses inter-American cooperation for economic and democratic development, not national security. In the end, that would also protect our own national security.

VI

The ability to adjust to crises and learn from one's mistakes does not translate automatically into the ability to anticipate and shape events. Nor does it lead to coherent and integrated policies. In fact,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

it is only a first step toward both. The changes in the Reagan Administration's policies toward South America during 1982, while helpful, have done little more than buy some time. What are needed now are initiatives on the growth and trade fronts, combined with innovative financial arrangements to keep new money flowing into Latin America. Whether the Reagan Administration can meet this challenge during the next two years remains to be seen.

If we compare the policies for South America unveiled by the Reagan Administration in 1981, however, with those actually in place by late 1982, the contrast is striking. Security concerns, formerly paramount, had taken second place to economic ones. Even more impressive was the shift in the Administration's thinking with regard to the IMF and other multilateral lending institutions. Although the Reagan Administration had not yet been converted to the Latin American version of the "Western Hemisphere Idea," it had moved a long way in directions more congenial to Latin American opinion, and more in line with basic U.S. interests in Latin America.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

John de St. Jorre

AFRICA: CRISIS OF CONFIDENCE

It has not been a dramatic year in the annals of modern Africa. There have been no superpower confrontations, no new civil wars, no major racial or ethnic upheavals. There have even been some encouraging political signals—an election here, a peaceful handover of power there, and more abortive than successful coups. But, by no means has it been a happy year. A feeling of deep frustration has swept over the continent, caused by the inability of the Organization of African Unity (OAU) to hold its annual meeting, the failure to resolve regional disputes, and a quite alarming economic decline. And it coincided with an activist if lopsided American policy that was, as the year drew to a close, far from achieving its declared goals, and thereby added to African suspicions and frustrations.

Searching for a theme in such an arbitrary period as 12 months is neither easy nor necessarily productive, but if there was a common thread in African events during 1982 it was a loss of confidence. African states have lost confidence in their ability to regulate their inter-territorial conflicts as well as in their capacity to develop their economies and cope with growing socioeconomic problems. They have also lost a measure of faith in the ability of the West, particularly the United States, to help them finish the work of decolonization and bring stability to the southern end of the continent.

The failure of the OAU to hold its annual summit meeting for the first time since its formation 19 years ago was a blow for practical and symbolic reasons. The organization had never been adroit in grappling with the numerous disputes that arose from Africa's artificial boundaries—in spite of its members' theoretical adherence to the golden rule that colonially inherited borders should remain inviolate—but it had at least provided a forum for discussion and compromise. The symbolic value of the OAU has even greater importance. The organization has always been greater than the sum of its parts, which are individually weak and vulnerable to

---

John de St. Jorre is Africa Director of International Reporting Information Systems (IRIS) in Washington. A former Africa correspondent of the London *Observer*, he is author of *The Brothers' War: Biafra and Nigeria, A House Divided: South Africa's Uncertain Future* and other works.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

outside pressures. Many Africans argue that it was just those pressures that disrupted the two Tripoli meetings, although the more thoughtful admit that it was the internal conflicts between member states and personalities that were principally responsible for the collapse. The question now is whether the pieces that refused to fit together in Tripoli can be put together at some other venue in 1983.

The Africans' regional policy traumas over the Western Sahara and Chad controversies were paralleled domestically in their faltering economies. No African state flourished in 1982; a few of the more prosperous ones managed with difficulty to stem the tide but most had their backs pressed hard to the wall. Already the poorest part of the developing world, Africa became poorer during the year. The world recession, continuing high interest rates, low commodity prices, static or falling aid levels, mismanagement and corruption all contributed to the sorry state in which most African states find themselves. Increasingly, they turned to anyone who would help: bilateral aid donors, commercial banks and, with great reluctance, to the International Monetary Fund (IMF), whose economic and fiscal conditions are feared by many governments because of the political repercussions they often produce.

It is sometimes argued that black Africa, unable to cope with its own problems, latches onto white South Africa's control of Namibia and its racial policies as a scapegoat, and spends an excessive amount of time and energy on those issues. All governments tend to try to deflate internal problems by inflating external ones, but Namibia and South Africa are genuine concerns of most members of the OAU and here again the Africans experienced a loss of confidence during the year. Watching the Reagan Administration's policy of "constructive engagement" with South Africa and its attempts to bring about an internationally acceptable solution on Namibia, the Africans were disappointed not only because the negotiations became deadlocked but also because South Africa's destabilization tactics directed against the other states of the region seemed to increase rather than diminish under a more benign U.S. policy.

II

The Organization of African Unity has survived many crises and accommodated many conflicting tensions between its members, conflicts that have often been exacerbated by the intervention of non-African nations, including the two superpowers. It has survived fundamental divisions over civil wars—four African countries recognized Biafra in 1968—tolerated murderers and buffoons (Ugan-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

da's President Idi Amin actually became chairman of the OAU during his reign of terror), and turned a blind eye to military intervention when Tanzania finally moved against Amin's regime. But in 1982 something went wrong. The old glue did not stick any more; the centrifugal forces overcame the centripetal ones; and no elder statesman came forward to save the day. The African states not only seemed to lack confidence in their proven powers of healing and conversion, many of them appeared to lack interest in even trying to use them.

It was not as if the issues that ruptured the two Tripoli meetings were new. The Western Sahara, Chad and the erratic Libyan leader, Colonel Qaddafi, had been around for some time. But their juxtaposition, in the Libyan capital, seemed to be too much for the organization. The Western Sahara had been a deeply divisive issue since Spain withdrew from the barren but phosphate-rich territory in 1976 after acquiescing in its absorption by Mauritania and Morocco. Mauritania had finally withdrawn as the Polisario nationalist movement, supported by Algeria, intensified its long-running guerrilla campaign. But Morocco, claiming the whole of the territory although only controlling a small part of it, fought on.

The trouble in the OAU began well before the first attempt at a summit meeting in August 1982. In February, Edem Kodjo, the Togolese OAU secretary-general, admitted the Saharan Arab Democratic Republic (SADR)—proclaimed as the government of the territory by the Polisario six years earlier—to the organization as a full member. Technically, he was acting within his powers since all that is required by the OAU's charter to admit a new member is concurrence by a simple majority of the existing members, and 26 out of 50 supported the SADR's application.

However, he must have known he was on delicate ground because the issue had been raised and bitterly debated at two previous summit meetings. Morocco and its allies had made it clear in Freetown in 1980 that they would boycott the organization if the SADR were admitted, and the problem was temporarily shelved at the subsequent Nairobi summit in 1981 when King Hassan announced he would accept the concept of a referendum in the disputed territory. But he never made clear the terms of this referendum nor the details of how it would be held. Morocco had always insisted on direct negotiations with Algeria, which rejected talks without Polisario participation. In order to force the King's hand and try to produce greater clarity on his promise of a referendum, the SADR's backers, led by Algeria and Libya and supported by a hairline majority, retabled their protégé's application for OAU

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

membership. These states argued that the SADR controls the majority of Western Sahara, enjoys the support of the bulk of the population and that it has been recognized by 24 countries outside Africa. Morocco refuted these arguments and insisted that the Polisario forces are merely "mercenaries" of Algeria.[1]

The first Tripoli summit was preceded by a flurry of diplomatic maneuvering, horse-trading and a degree of outside intervention. The French, believed to be up to their old Gaullist/Giscardien influence-brokering tactics with the francophones, were accused of trying to wreck the meeting. But, under French President François Mitterrand's new broom, the opposite proved the case. Similarly, the United States, unhappy at the prospect of Qaddafi becoming chairman of the OAU and addressing the United Nations on Africa's behalf in New York, was also reported to be strongly lobbying its friends to stay away from Tripoli. State Department officials firmly deny these charges, claiming that, on the contrary, their African friends came to them to ask for American help in combating Qaddafi and the pro-SADR group. The truth seems to be somewhere in between. The United States probably did not actively work to disrupt the OAU—it had provided $12 million in military assistance to the OAU peacekeeping force in Chad earlier in the year—but it did nothing to deter the anti-SADR faction, led by its old ally, Morocco, from boycotting the meeting; nor did it disguise its satisfaction when its *bête noire*, Colonel Qaddafi, failed to take over from President Daniel arap Moi of Kenya because the meeting lacked a quorum.[2]

Other outsiders certainly had a hand in the proceedings, notably Saudi Arabia, a strong supporter of King Hassan (who made it clear that he was the authorized conduit for Saudi money to several Muslim African states that were wavering). Israel apparently used its influence with its new ally, President Mobutu Sese Seko of Zaïre, who had recently broken African ranks in another context by recognizing Israel. He, like some of the other more conservative francophones, stayed away. For its part, Libya played the money card heavily and some states—Sierra Leone being the most flagrant example—appear to have simply sold themselves to the highest bidder.

[1] OAU recognition of a political movement not yet in full control of its territory is not unique. As Zdenek Cervenka points out in an unpublished paper entitled: "The OAU in Search for Peace in the Western Sahara," both the OAU and the United Nations admitted Guinea-Bissau as a full member a year before Portugal pulled its troops out of the country and accepted its independence.

[2] The State Department apparently canvassed the view of its embassies in Africa before the OAU summit and was told that diplomatic or other attempts to disrupt the meeting would be counterproductive.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The failure of the August summit brought many recriminations from all sides, but it also generated a concentrated effort to repair the damage. A conciliation group was appointed and, with Nigeria playing a key role, the SADR was finally persuaded to stay away from a new meeting that was convened in Tripoli in November.[3] But this time a bitter dispute arose at the preliminary foreign ministers' meeting over which delegation should represent war-weary Chad, where the OAU had already registered a failure earlier in the year when its three-nation peacekeeping force—the first experiment of its kind—proved unable to end the fighting.

For many delegates the issue seemed irrelevant, since Hissen Habré's faction, the Armed Forces of the North (FAN), had finally defeated the other warring groups in Chad and was beginning to bring order and stability, without the help of foreign troops, to the long-suffering country. Libya had withdrawn its troops and Habré, supported by the Sudan, had fought his way across the country, vanquishing both his northern and southern rivals. However, the Libyans and their supporters pressed the credentials of Habré's principal rival, Goukouni Oueddye, leader of the People's Armed Forces (FAP), who still controlled a small area close to the Libyan border.

Once again a compromise was reached—recognition of Habré's government providing he stayed away from the meeting—but the wrangling took so long and animosities had run so deep that the meeting again failed to achieve a quorum and broke up in disarray.[4] On this occasion, the Africans were more inclined to accept the blame. Salim Ahmed Salim, Tanzania's Foreign Minister, said after the meeting that it would be "irresponsible to exonerate ourselves from the responsibility" for the failure of the summit.[5]

The confusion in the OAU poses questions not only about its future but also about the role of outsiders in Africa.[6] Is Africa going to slide back to the regional and ideological power blocs of the early 1960s as foreign powers intervene with impunity to support their friends and penalize their enemies? Africans are aware of the dangers of losing the OAU, imperfect though it is, and they

[3] Since then, it should be noted, the SADR has insisted on its right to attend future OAU meetings and Morocco has declared it will boycott any summit that seats the SADR.

[4] Since then both Habré and Oueddye have declared they are the rightful rulers of Chad and will insist on attending future OAU meetings; Colonel Qaddafi continues to support Goukouni Oueddye's claim.

[5] Quoted in a report from Dar es Salaam in *The Sunday Mail*, Harare, November 28, 1982. The headline reads: "'Ourselves to Blame'-Salim."

[6] The OAU was not the only international organization in trouble in 1982. The nonaligned nations' summit, due to be held in Baghdad in September, was postponed because of the divisive Iraq-Iran war and will be held in New Delhi in March instead.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

are trying to analyze what went wrong and how they may be able to put it right.

Lack of leadership seems to have been one major fault. Kenya's President Moi, the current chairman, was criticized for not taking the lead at the first meeting and when he did so at the second it was to no avail. Nigeria, the most powerful state in black Africa, was also criticized for not playing a more forceful role. But, in each case, there were internal problems—an attempted coup in the former and severe economic difficulties in the latter—and neither President Moi nor Nigeria's President Shehu Shagari had sufficient continental stature, through length of experience or force of personality, to bring the divided factions into line.

Another underlying cause of the malaise was that most African states had become highly dependent upon outsiders for economic aid and a number had become locked into military relationships in order to pursue their internal political goals. Both economic and military dependency reduced their capacity—and their need—to cooperate with their African brothers. It was an interesting if sad commentary on the state of African unity that far more states turned up to listen to what President Mitterrand had to say at the Franco-African summit in Kinshasa than attended either of the Tripoli meetings.

A third factor was the genuine fear and dislike many African governments have of Qaddafi's Libya. The Libyan intervention in Chad and threats against Sudan, Egypt and other countries were not forgotten. Qaddafi's erratic and bellicose behavior has undoubtedly contributed to widening the historical gulf that divides black and Arab Africans. There seems little doubt that for many of the states that boycotted both meetings Qaddafi was as much, if not more, an issue than either the Western Sahara or Chad. Although direct rebuff would have been difficult, the existence of the other controversies provided a convenient excuse to snub the Libyan leader.

A new conciliation group has been selected and there is talk of returning to Addis Ababa, the permanent seat of the OAU, and possibly reducing the size of the quorum necessary to hold a summit from two-thirds to one half of the total membership. But, Qaddafi is still the legitimate chairman until June 1983. It seems highly probable that more wrangling and further division lie ahead.

III

There is a joke going the rounds in Africa that when a coup is planned these days, the radio station is still the first target but close

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

behind is the house of the World Bank representative. The same might be said of the IMF, leading Western aid donors and the big multinational banks—anyone, in fact, who can help bail out desperately hard-up African governments. Plagued with long-term problems of development compounded by rapid population growth, lack of technical skills and their own considerable errors, the Africans have also been hit by an unfortunate combination of factors that have made both the short-term and medium-term prospects look particularly grim.

Four developments, in particular, have converged to push many countries to the edge of economic collapse. First, the recession in the industrialized world has depressed the price of primary commodities (apart from oil) while failing to lower the cost of most of the things that Africa needs to import.[7] Commodity prices are not likely to recover substantially in the foreseeable future; and even oil, for the few countries that have it, is producing less revenue than in previous years because of the world glut and subsequent cutback in production.

Another factor has been the burden of foreign debt that many African countries, prosperous and poor alike, have to carry, a debt that in most cases was incurred at high interest rates and now consumes a growing percentage of reduced foreign exchange earnings. A third and related problem is the difficulty in obtaining new credit to pay off those debts and maintain a flow of essential imports. Even relatively wealthy countries like Ivory Coast, Nigeria and Kenya have had great difficulty raising loans in the money markets because the massive debt problems of Poland, Argentina and Mexico have shaken the international banking system. Meanwhile, the poorer African countries have no hope in the private sector and have to look elsewhere for salvation.

This leads to the fourth consideration, the non-commercial sources of funding such as the International Monetary Fund (IMF), the World Bank and Western aid donors. But here, too, money is limited and there are often strings attached. The World Bank's report on African development (popularly known as the Berg Report)[8] successfully focused attention on Africa's plight, particularly on the increasingly critical shortage of food in many countries, and was warmly received by the U.S. government because its main

[7] Coffee prices, for example, dropped from an average of $2.29 per pound in 1977 to $1.16 per pound in 1981; the world cocoa price slumped in the same period from $1.72 per pound to $0.94 per pound.

[8] "Accelerated Development in Sub-Saharan Africa," produced by the World Bank at the behest of the African governors of the Bank, and written by a team under Elliot Berg. It was first published in 1981 and reprinted in 1982.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

conclusions—apart from the recommendation that aid to Africa should be doubled in the next decade—seemed to fit in with the Reagan Administration's belief in greater private sector involvement in Africa. The report had the practical effect of securing Africa the top priority in the International Development Agency (IDA), the soft loan agency of the World Bank, which now devotes 34 percent of its resources to the continent. The problem is that most African states fear adverse political consequences if they accept aid that is tied to strict fiscal conditions. "IMF food riots," they have been called, and Sudan provided the latest example when its cities erupted into violence after sugar subsidies were removed last January as part of an IMF package.

Moreover, neither the Berg Report nor the new U.S. aid strategy provide solutions to the immediate crisis. Increasing U.S. exports and investments in Africa not only takes time, it also depends on a favorable world economic climate. American business, under pressure at home and abroad, is not looking for new worlds to conquer at the moment. U.S. bilateral aid, although increasing annually, is changing its shape and its focus. Total U.S. aid to sub-Saharan Africa in the Fiscal Year 1981 was $909 million, which increased to $1.046 billion in 1982, a rise of 15 percent. The proposed aid total for 1983 is $1.119 billion, an increase of only 7 percent and not an increase at all in real, inflation-adjusted terms. The significance of the figures lies in the way military and development assistance levels have changed within the package. Over three years (1981–83), military assistance increased from 9.3 percent to 18.4 percent to 21. 7 percent of the total, while development aid declined from 33 percent in 1981 to 31.4 percent in 1982 to a proposed 28.9 percent in 1983.

The largest increases in bilateral security assistance—the Administration's buzz word for military aid, training and sales—have gone to Sudan, up from $50 million in 1981 to $101 million in 1982, with fractionally more proposed for 1983.[9] Morocco receives a relatively thick slice of military aid; the Administration wanted to increase this from $30 million in 1982 to $100 million in 1983, but Congress cut it back to $50 million. An attempt to grant Zaïre $20 million in military assistance and $15 million in economic aid was also curbed by Congress, which halved the former and rejected the latter.

On the other hand, it can be argued that while the United States has not responded adequately to Africa's pressing developmental

[9] Sudan is by far the largest recipient of U.S. aid in Africa, receiving over $250 million annually, a quarter of the sub-Saharan total.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

needs it has exercised some restraint in dispensing military largesse. It refrained from reacting in a knee-jerk, globalist manner to Somalia's appeal for military support against Ethiopia, taking a leaf from the Carter Administration's book. Aid levels to Somalia have only risen marginally in the last three years. In Kenya, where President Moi's needs in the wake of the attempted coup last August were economic rather than military, the United States kept its military assistance pegged close to existing levels.

Even the U.S. support for Morocco pales into insignificance when compared with Soviet military sales to Algeria and Libya.[10] The motive for giving King Hassan increased military assistance is mainly strategic, governed by concern about the future of U.S. bases in socialist Spain and the need for facilities for supplying Israel and the Rapid Deployment Force in the Middle East. The trouble with any support for Morocco, however, is that the King, wrapped up in his interminable struggle with the Polisario, inevitably interprets it as a material and psychological boost that hardens his resolve to fight the war to the bitter end. The United States may protest that it is neutral on the issue but its tangible and increasing support for Hassan is turned by the King to his own advantage.

African nations are trying to do something about their longer-term economic problems as they struggle to survive from day to day. They are seeking a greater degree of regional cooperation through organizations such as the Economic Community of West African States (ECOWAS) and the Southern African Development Coordination Conference (SADCC); they are modifying or turning away from Afro-socialist economic experiments to Western private enterprise models (President Sekou Touré of Guinea and even President Julius Nyerere of Tanzania have moved in this direction recently); they have already devised a long-term strategy, the Lagos Plan of Action of 1980, and they are beginning to seek methods for boosting the long-neglected agricultural sector.[11]

But the short term is naturally what worries governments most and it has produced a dichotomy in their reactions to Washington. While most African leaders view the Reagan Administration's Africa policy with varying degrees of mistrust, bilateral relations, driven largely by the economic and technical needs of the day, have

[10] For the period 1976–80, Algeria made a total of $2.3 billion in arms purchases, of which $1.8 billion were from the U.S.S.R.; Libya purchased $8.6 billion of weapons, with $5.5 billion coming from the Soviet Union. During that time, Morocco's total purchases were $2 billion, of which $1.1 billion came from France and $380 million from the United States. Source: U.S. Arms Control and Disarmament Agency.

[11] For an excellent analysis of what has gone wrong with Africa's food production and what should be done about it, see "Facing up to Africa's Food Crisis," by Carl K. Eicher, *Foreign Affairs*, Fall 1982.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

progressed relatively smoothly. The Administration is proud of the fact that very few of its ambassadors have any difficulty in seeing top officials in their host countries when they want to. Nowhere was this better illustrated than during Vice President Bush's seven-nation tour of Africa in November when great bilateral cordiality clearly existed side-by-side with deep misgivings over the Administration's southern Africa policy.

IV

African fears about southern Africa focus on whether or not the Administration's constructive engagement policy can persuade the South African government to turn Namibia over to U.N.-supervised elections and curb Pretoria's destabilization strategy in the region. There is a third consideration—genuine change in South Africa's racial policies—but that is of less immediate importance in African capitals as well as in Washington.

Taking the Namibian problem first, the roller coaster of optimistic ascents and pessimistic plunges is not new in the long drawn out negotiations, but halfway through the year official hopes soared to a new crest. In July, a State Department official was quoted as saying that "nothing left on Namibia could be defined as a serious enough issue that it, in itself, would jeopardize the negotiations."[12] But by the end of the year those hopes had plummeted once more as the talks became deadlocked over the Cuban problem.

Progress had indeed been made on most of the issues that had derailed the negotiations in the past. Agreement had been reached on a set of constitutional principles, the size and deployment of the United Nations Transition Assistance Group (UNTAG), and the problem of the United Nations' partiality toward the Namibian liberation movement, the South West African People's Organization (SWAPO), had been solved. Only the final choice between a single constituency electoral system and proportional representation, and the nationality of the three last battalions of the U.N. force had not been settled, although U.N. and State Department officials stressed that neither of these residual problems was serious and they would be cleared up as soon as the Cuban issue had been dealt with.

Six months later, however, the Cuban problem—or rather *linking* the removal of the Cubans from Angola to the removal of the South Africans from Namibia—had not been resolved and the prospects for its resolution looked increasingly bleak.

[12] *The Washington Post*, July 14, 1982.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

How did "linkage" become such a burning topic? For more than four years everyone party to the Namibian negotiations knew that Cuban withdrawal from Angola was an important and related but not a direct part of the proceedings. The Angolan government, from the beginning of the Namibian initiative, had consistently stated that Cuban troops would not leave the country until after the South Africans had left Namibia, but once that had happened they would "invite their Cuban friends to go home." The Carter Administration, as Gerald J. Bender points out, became convinced that the Angolans meant what they said and, accordingly, treated the subject with great delicacy.[13]

Thus when Chester A. Crocker, the Assistant Secretary of State for African Affairs, began in mid-1981 to talk somewhat ambiguously about an "empirical relationship" between the Cubans in Angola and the South Africans in Namibia, both the frontline states (Angola, Mozambique, Botswana, Zimbabwe, Zambia and Tanzania), and the other four members of the Western "contact group" (Britain, France, West Germany and Canada) had their reservations. Even the South Africans, who had never suggested any form of linkage during the Carter years, seemed surprised. The idea of directly linking the two issues seems to have first been raised with the South African government by Crocker and William Clark, then Deputy Secretary of State, in Cape Town in June 1981.

However, South African leaders did not publicly insist on linkage as a sine qua non for a settlement until more than a year later, when all the other major obstacles to a settlement had been overcome. Since then they have not lost an opportunity to hammer home the importance of a simultaneous withdrawal of forces.[14] One of the reasons why the South African government is confident of its stand is that it was reportedly given written assurances by Alexander M. Haig, Jr., when he was Secretary of State—in a "Dear Pik . . . Dear Al" exchange of correspondence—that the Americans would negotiate a withdrawal of the Cubans from Angola.

It seems, therefore, that if the Cuban linkage issue turns into a blind alley, the Reagan Administration has wittingly or unwittingly led everyone up it. Its motives, of course, were straightforward enough. The Administration had a strong ideological desire to

[13] See "Angola and the United States: Evolution of a Policy," by Gerald J. Bender, in *Transafrica Forum*, Vol. 1, No. 1, Summer 1982, for a thorough and convincing analysis of the Angolan position.

[14] This public change is well documented by John Barratt, Director General of the South African Institute of International Affairs in Johannesburg, in an unpublished paper entitled: "The Namibian Dilemma: Factors Preventing a Settlement," September 1982.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

remove the Cubans, as well as a need to keep in tune with its own domestic constituency—particularly the Republican majority in the Senate, which on the whole is not very excited about Namibia or about a deal that would probably result in another African "Marxist" regime taking over a country that had been quite secure under Pretoria's pro-Western aegis. Republicans would be impressed, policymakers felt, with a scenario that got the Cubans out of Angola, irrespective of what happened down the pike in Namibia. They also felt they had to offer the South Africans a credible incentive to get the talks moving again and over the hurdles they had balked at in the past. The irony now is that if the Angolans refuse to budge on linkage and stick to their original line, the South Africans can put their hands on their hearts and say it was not their fault: they were ready to pull out but the Angolans refused to move the Cubans. Or, alternatively, if they feel there is no more mileage to be gained from the Reagan policy of constructive engagement, they can say the Americans reneged on their written assurances and failed to remove the Cubans as promised.

One curious aspect of all this is that the Cubans, except in a symbolic sense for the more impressionable sections of the American and South African publics, are not really the issue at all. The Cubans do not, nor have they ever, threatened South Africa or Namibia. Every time South African forces push further into Angola—they are now over 100 miles inside and have established a permanent presence there—the Cubans retreat further north.[15] The real issue for the Angolans is the tenacious Jonas Savimbi and his tribally based but powerful UNITA (National Union for the Total Independence of Angola) movement. It is too easily forgotten that the Cubans were brought into Angola to ensure the survival of a fragile MPLA (Popular Liberation Movement of Angola) government against South African-backed rivals.

Nothing has changed except that the situation, from the Angolan government's viewpoint, has if anything become worse. In 1975 South Africa mounted a slender and vulnerable invading column, now it is an occupation army; then UNITA was poorly armed and trained, now it is considerably stronger both militarily and politically (over Christmas UNITA launched an offensive pushing further north than ever before and attacked Huambo, Angola's second largest city); then the MPLA was united under an undisputed leader, now President Dos Santos has still not achieved his predecessor's authority and there are serious policy and personality divisions in the

[15] In Windhoek these days, they no longer talk about the "border war"; it has become the "war in southern Angola."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

leadership. Furthermore, the Angolan government feels that while the Reagan Administration has bent over backward to attend to South Africa's security needs, their own have been neglected. And yet, they ask, who over the past two years has been the most threatened and most punished: the South Africans, secure at home, secure in Namibia and chasing SWAPO at will in southern Angola, or themselves, fighting Savimbi and suffering from increasingly massive and far-ranging South African attacks?

Can the Cuban conundrum be resolved? The frontline states, which have been crucial in exerting behind-the-scenes influence on SWAPO and Angola in the past, appear to have drawn the line by emphatically rejecting linkage. Moreover, the other four members of the contact group, in varying degrees, are opposed to the concept, believing it will not work. The South Africans, though under pressure from the United States to ease their position on the Cubans, to soft-pedal their support for Savimbi and to lower their military profile in Angola, are showing no signs of complying. Meanwhile, at the end of the year, internal politics in Namibia remained in a state of flux, with Chairman Dirk Mudge's Democratic Turnhalle Alliance (DTA) government floundering and no viable alternative in sight.

Then in January, following the resignation of the DTA Council of Ministers, Pretoria moved to resume direct rule. Presumably it would continue its efforts to create some more representative consultative body composed of all the ethnic groups. This would not, however, prevent the South African government from pursuing negotiations for an international settlement. Doing so would be consistent with the same two-track strategy it has followed all along, of building up the white position within Namibia while avoiding a collapse of negotiations that might bring new U.N. pressures.

The Administration's tactics are aimed at reassuring the Angolan government, through direct contacts and indirectly through third parties, such as the French, Portuguese and others, that its security needs will be properly addressed and that some form of security guarantees could be provided if the Cubans were to be withdrawn. The last month of the year witnessed two important meetings: one between Pik Botha, South Africa's Foreign Minister, and senior officials in Washington, and the other between the Angolans and the South Africans in the Cape Verde Islands. The latter, which was at the Angolan government's invitation and was the second top-level encounter between the two antagonists, showed that Luanda was giving serious attention to the American proposals. Washington also hopes to lower the previous overoptimistic, almost

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

pressure-cooker temperature of the negotiations and use its undoubted bilateral influence with many of the key African countries to win them round to its view of the Cuban issue. This is not the place to lay bets, but after a recent journey to eight African countries, which coincided with Vice President Bush's valiant tour during which he sold the linkage line hard, I would judge a change of heart by Angola and its frontline backers extremely unlikely.

V

Behind African obduracy on the Cuban issue lie deep-seated fears of a South African destabilization strategy in the southern region. In the clearcut Angola case, Pretoria's aim may be the ultimate replacement of the MPLA government by Savimbi through a massive "Israeli-style" advance on Luanda. The long arm of South Africa is equally evident in acts of violence and disruption in Mozambique, Zimbabwe, Lesotho, and, to a lesser extent, in Swaziland and Botswana, although most analysts think that South Africa's strategy in these cases is aimed at keeping the black states perpetually off balance, rather than actually trying to overthrow their existing governments.

Mozambique is currently the most threatened. The dissident movement, the Mozambique National Resistance (MNR), originally the creation of Ian Smith's government in Rhodesia, is now being backed by the South Africans and is causing increasing havoc inside Mozambique. Its Portuguese language radio station, Radio Free Africa, broadcasts out of the northern Transvaal and supplies are dropped by South African aircraft and delivered by sea on the long Mozambican coast. Zimbabwe, whose oil pipeline to Beira has been blown up a number of times, is directly affected and has sent a detachment of troops to help the Mozambique government protect the pipeline. But, if the situation worsens, there is always the possibility that the Mozambique government, which has a defense treaty with the Soviet Union, may call in Soviet or Cuban forces.

The South African rationale, it seems, is to show its black neighbors that they cannot give political or other support to the main insurgent group directed against South Africa itself, the African National Congress (ANC), without paying a price. Pretoria's tactics appear to owe something to former Secretary of State Henry Kissinger's during the 1972-73 Vietnamese peace talks: a judicious if ruthless mixture of military punishment and readiness to talk across the negotiating table. In December, a South African force swept into Maseru and killed 42 people, many of them ANC members

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

but also a number of refugees and Lesotho citizens, while a few days later South African officials held talks with their Mozambique counterparts in the northern Transvaal over deteriorating bilateral relations.

How each state comes to terms with all this is a matter of choice and reflects different ideologies and styles of leadership. Zambian President Kenneth Kaunda's response earlier in the year was to initiate a meeting with Prime Minister P.W. Botha in Botswana to discuss Namibia and regional security. However, nothing concrete seems to have transpired and Zambia has not been apparently a direct target of South Africa's "keep-them-off-balance" strategy.

Robert Mugabe, Zimbabwe's Prime Minister, maintains a more hostile line and suffers, economically and militarily, as a result. His third year in power has been a particularly difficult one. The long-simmering differences with Joshua Nkomo, the leader of the Zimbabwe African Peoples Union (ZAPU), erupted into an open breach when Nkomo and his cabinet colleagues were dismissed following the discovery of secret arms caches on ZAPU-owned property in February. This led to an insurgency campaign by former ZAPU guerrillas in the western province, dominated by the Ndebele minority, where the party has most of its support. Nkomo, who denied knowledge of the arms caches and maintained a low profile, appeared to have little control over the more militant members of his party.

Then, in July, Mugabe had to deal with the destruction by sabotage of a large number of his air force's planes. Senior white officers in the air force were arrested, and later tortured, and will face trial for the incident. South Africa was accused of being behind the sabotage as well as implicated in a spy case involving two senior white officers in Zimbabwe's Central Intelligence Office. Critical comments in the foreign press by former Rhodesian Prime Minister Ian Smith later in the year added to pressure on Mugabe from his own militants within the ruling Zimbabwe African National Union (ZANU) party.

At the same time, a crisis of expectations over improvements in education, land distribution and social services was growing. Mugabe found himself increasingly under pressure within the powerful ZANU central committee to abandon the pragmatic road he had chosen and launch a radical restructuring of Zimbabwe. Although his own rhetoric sometimes suggests that this is what he himself would prefer, he has so far continued his pragmatic policies. However, there are signs he does not always have his own way against the radical faction in central committee debates.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The U.S. response to charges that South Africa is destabilizing its neighbors is that "constructive engagement" applies to the whole region, not just South Africa, and that the Administration is working to bring stability to all countries there. It is particularly concerned about strengthening Mugabe, another legacy of the Carter era, and has told Pretoria that any move to destabilize his government would be regarded as an unfriendly act. The Administration did, for the first time, join in a Security Council vote condemning South Africa's attack on the ANC in Maseru, but in Africa and elsewhere there are growing doubts about the efficacy of U.S. warnings and "quiet diplomacy." Certainly, South Africa could be far more punitive if it chose to be. However, even at the present level of activity, it has made most of the governments in the region jittery and mistrustful.

Preoccupied by the Namibian issue, the Administration has not paid much public attention to internal developments in South Africa. It has, however, been an active year there, with the unveiling of new constitutional proposals put forward by the President's Council and with a major split in the ruling National Party over the provisions for inclusion of the Coloureds and Indians in the proposed new system of government. The formation of the Conservative Party under Andries Treurnicht, the former leader of the "verkramptes" (reactionary) wing of the National Party, has introduced a new and still incalculable element into white politics and divided Afrikaner society more than any event since the Nationalists came to power in 1948. Prime Minister Botha has retained a firm hold on the rest of his party, but the fate of his constitutional reforms—which promise an extremely limited share of power to the Coloured and Indian groups and continue to exclude the African majority—remains in doubt. The United States refrained from commenting publicly on these developments when they occurred, but toward the end of the year Herman Nickel, the U.S. Ambassador to Pretoria, and Charles Wick, Director of the U.S. Information Agency, both expressed qualified support for P.W. Botha's constitutional plan.[16]

VI

When historians take the long view of this period they will probably not identify 1982 as a watershed year. However, they may be interested in the irony that Africa, traditionally the poor relation of U.S. foreign policy, assumed an unusually prominent position on

[16] *The Johannesburg Star*, November 13 and November 20, 1982.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the foreign policy agenda under a Republican Administration. Without Assistant Secretary Crocker's intelligence, energy and patience, U.S. African policy would likely have been considerably less sensitively orchestrated.

Whether it will be successful is another question. While it is too early to predict with assurance, the omens are not good. Those distant historians may also conclude that the Carter and Reagan Administrations, so different in their approach to South Africa, did in fact produce a kind of symmetry. President Carter's policies demonstrated there were no effective sticks at America's disposal; President Reagan's revealed there were no carrots.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Robert Keatley

EAST ASIA: THE RECESSION ARRIVES

By contemporary standards, 1982 was another year of economic and political success for most East Asian nations, although a distinctly modest one when compared to achievements of recent times. Their diverse economies continued to grow, in contrast to those of most developing and industrialized nations in other areas. No governments were toppled or seriously endangered by civil strife. No new external security threats appeared, nor did any East Asian country end the year with a significantly increased sense of national jeopardy.

Both internally and externally, the nations of East Asia thus avoided crisis and confrontation, and preserved the region's current reputation as one of relative calm in a world all too often wrestling with small wars, insurrections and the specter of economic failure.

Yet the successes were indeed modest by recent standards. After hovering in the distance, the worldwide recession finally hit the region with force, bringing sharp declines in growth rates from South Korea to Indonesia. Exports suffered as the main markets of North America and Western Europe declined, or at least failed to expand much. Those nations which rely most heavily on commodity shipments for national revenue were hardest hit; declining prices for such items as petroleum, tin, palm oil and coconuts damaged the expectations of several national treasuries. Some countries have, therefore, cut back development spending, revised growth projections downward, and in general prepared for leaner days just ahead. Uncertainty is replacing the confidence of recent years.

Moreover, Asians have turned more heavily to the international capital market for funds as trade and payments deficits loom. An ingenious collection of financing methods, including syndicated loans, bond issues, special financing facilities and assorted floating-rate instruments, are being devised to attract bank funds in the billions. This is pushing long-term debt in several countries higher than seems comfortable to their generally conservative financial

---

Robert Keatley has been Editor of *The Asian Wall Street Journal* since 1979. He was previously Foreign Editor of *The Wall Street Journal*, its diplomatic correspondent in Washington, and bureau chief in Tokyo and Hong Kong. He is the co-author of *China: Behind the Mask.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

officials—especially in South Korea and the Philippines—though not high enough yet to threaten any Asian governments with the burdens of a Mexico or Argentina.

For most of East Asia, security problems were secondary to economic issues during 1982. The Korean peninsula remained essentially unchanged, with no threat of renewed conflict but also no sign of progress toward accommodation. While the defense relationship between the United States and Japan stayed outwardly firm, Japan increased its military budget only marginally despite strong U.S. pressure. And Vietnam continued to occupy Kampuchea, giving no indication of being prepared to withdraw on any terms acceptable to the five members of the Association of Southeast Asian Nations (ASEAN). This may be partly because the shaky coalition of Kampuchea's three opposition elements formed during the year under the nominal leadership of Prince Norodom Sihanouk continued to lack military or political credibility.

From the standpoint of U.S. policy, the most difficult and time-consuming diplomatic problem concerned relations with China. After a long period of tension, a compromise of sorts was reached in August on the issue of U.S. arms sales to Taiwan, but the temperature of overall relations remained at most lukewarm, at what appeared to be China's wish. Then, late in the year, the succession of Yuri Andropov to power in the Soviet Union seemed to give an impetus to existing Sino-Soviet normalization talks, and there were hints of Soviet efforts to improve frayed relations with Japan; according to some specialists, a Moscow "peace offensive" toward Tokyo can be expected, perhaps including an offer to return at least two disputed Kurile Islands to Japanese sovereignty.

Significant change in Soviet relations with China or Japan would pose new policy problems for the United States—making it necessary to redefine Asian strategies and goals more clearly. This would require more careful attention to the region than has been allotted during the early Reagan years, when foreign concerns understandably were focused on the superpower relationship with the Soviet Union, plus crises in such areas as the Mideast, the Falkland Islands, Central America and Poland.

But the most immediate problems are economic. Above all, 1982 was a year of worldwide economic difficulties, which ended with wrangling industrial nations unable to agree among themselves about how, or even whether, to promote freer trade and stave off protectionism. As has happened so often before, beleaguered governments have turned inward and defensive as economic woes increase, seeking short-term national solutions—job protection,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

trade barriers, import quotas, business subsidies—for what experts consider international problems. Endless counsel from worried economists and government leaders that such moves will, in the long term, aggravate rather than alleviate their problems have been largely ignored.

And if any single issue symbolizes this complex mix of troubles, it is probably that of economic relations with Japan. For while the Japanese concede the world has a major trade problem which needs calm study and careful solution, much of that world argues it has basically a Japan problem. Although emotions originally were most intense inside the European Common Market, it is the United States which has applied the most sustained and effective pressure on Tokyo to open its economy faster and deeper to foreign participation. And it is in an increasingly frustrated United States that anti-Japanese sentiment is rapidly becoming an important political fact. Among the experts there is growing concern that unless Japan does more, and soon, to liberalize its economy, retaliation will occur. And if that happens, the broad U.S.-Japanese political and security, as well as economic, relationship could be damaged.

More than Japan would be affected. Many economists fear U.S.-Japanese moves and countermoves could touch off a global protectionist spiral. In particular, this would hurt the newly industrializing and commodity-exporting nations of East Asia, which increasingly rely on foreign markets for their own well-being. Many see no way out of their economic difficulties other than through a worldwide economic recovery; anything which delays that recovery is seen by them as prolonging or even deepening their domestic economic troubles, and eventually threatening their political stability.

II

Despite the dominance of economics, both diplomacy and security affairs remained of great concern during the year.

On the face of things, there was little change in defense relations between the United States and Japan—"our most important ally in Asia," as American officials state repeatedly (although the word "alliance" remains controversial in Japan). While there was some muted talk in Japan about the need to revise the 1960 security treaty—essentially, of course, a one-way American commitment—support for the treaty may be broader than is widely appreciated. Rather, the problem in U.S. eyes is the level of Japanese defense spending.

Serious pressure on Japan to expand its military forces began

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

during the Carter Administration, and was picked up and accentuated during 1981 by the Reagan team. The result was a modest increase of more than six percent annually in defense spending for three consecutive fiscal years (ending March 31, 1984), which exceeds overall budget growth. Yet this precludes significant expansion, particularly of essential training and supplies; the average air force fighter pilot is allowed only one missile test-firing every two years, for example. Despite his sometimes hawkish defense pronouncements, new Prime Minister Yasuhiro Nakasone has said his military budget won't exceed the traditional one percent of gross national product for some time.

Precisely what the United States wants, and how fast it seeks it, has shifted over the years as assorted Washington officials have offered quite different advice to Japanese governments. But the basic thrust is to have Japan arm itself sufficiently to patrol sea lanes and air space within 1,000 nautical miles of Tokyo with reasonable efficiency, to supplement American naval and air forces in Northeast Asia. One hope in Washington is that such an expanded Japanese effort would free some U.S. Seventh Fleet forces for duty in the Indian Ocean and Gulf regions.

This effort is quite reasonable for an American Administration focused on the growth of Soviet power. Inside Japan, however, it generally attracts reluctant support at best, plus some resentment, from a populace wary of costly foreign obligations—particularly military ones. There are lingering fears that increasing the Self-Defense Forces could revive militarism at home, something few Japanese favor. There are also fears that an enhanced defense role will arouse antagonism elsewhere in Asia, reviving memories of the rather barbarous ways of imperial Japan during the 1930s and 1940s, and proving—if nothing else—bad for business. What Japanese politicians consider a severe fiscal crisis at home (a budget deficit of some $52 billion) adds to this widespread reluctance to heed American advice and increase surveillance forces more quickly. And while official and informed Japanese recognize the fact of increased Soviet military deployments in recent years, they have simply not been sold on the Reagan Administration's picture of a drastic and imminent Soviet military threat.[1]

If the Japanese recall the distress of World War II, so do many other Asians. American pressure on Japan to acquire more weapons has caused distrust and suspicion around the region. Like the

[1] See Richard H. Solomon, "East Asia and the Great Power Coalitions," *Foreign Affairs*, America and the World 1981, pp. 688–93, 705.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Japanese themselves, many Asians also worry that this could revive old-style Japanese militarism, and someday create security threats for them. They also fear the effort means the United States wants to reduce its own commitments in the area, handing them over to Japan instead. And they suspect a better-armed Japan might reduce its economic assistance programs in Asia, adding to existing financial problems. Thus the feeling grows in much of Asia, especially in the ASEAN states, that the Reagan Administration neither understands nor much cares about their problems, and in fact adds to them by its singleminded concern with a Russian threat.

Meanwhile, the Sino-American relationship survived early-year strains over the Taiwan question, but hasn't prospered. Tension diminished after a communiqué was released in August following months of negotiations. In it, the United States seemed to pledge that it would limit and eventually end its arms sales to Taiwan, while China vowed it would pursue reunification by peaceful means. This permitted both sides to defer a final settlement, and allowed official relations to improve somewhat. However, the communiqué contained about as many loopholes as commitments, and in the long run solved nothing; the Taiwan issue thus retains its potential for once again dividing China and America if either side chooses to let relations deteriorate.

Conspicuously, neither during the visible tension over Taiwan nor later did the Chinese move to accept the offer to discuss arms sales that had lain on the table since Secretary of State Alexander Haig's visit to Beijing in June 1981. There was friction in the cultural area, with a few American academics asked to leave after conducting research into social conditions. And on the economic front—although trade expanded during the year—the failure to reach agreement on restraints on Chinese textile exports to the United States produced, in early 1983, a significant strain. In response to unilateral American limits on these exports, China embargoed its own purchases of several American products, and the situation seemed to threaten American exports in other categories. All in all, the atmosphere remained a bit testy, and the choice appeared to be primarily that of the Chinese leaders.

Part of their reasons may have been internal politics, always a factor on both sides of the relationship, and another part may be that China clearly seeks closer identification with the developing world, and rejects the notion of being a "card" in the American effort to constrain the Soviets. In the judgment of many who had contact with Chinese officials, Beijing no longer felt the sense of acute threat from the Soviet Union that had contributed to each

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

surge toward closer U.S. ties over the past decade.[2]

So it was not wholly surprising that what had appeared earlier in the year to be more or less a routine minuet toward renewed negotiations with the Soviet Union, of the sort that had often foundered before, turned suddenly into something potentially more substantial in November. Not only did the Chinese send their Foreign Minister, Huang Hua, to the funeral of Leonid Brezhnev, but Andropov went to some lengths to hold a long and apparently businesslike talk with him, in the first high-level discussions since 1969.

Few observers predicted that the two communist giants would suddenly, or even gradually, return to their close relationship of the early and mid-1950s, or that they would resolve the border issues that have been the principal subject of fruitless negotiations since the Ussuri incident of 1969. The three issues on which speculation centered were a mutual withdrawal or thinning of military forces along the long Sino-Soviet border, some Soviet concession concerning Afghanistan, or some Soviet-influenced Vietnamese move on Kampuchea. If, as some rumors had it, the Chinese were asking for Soviet "give" on at least two of these issues, the odds seemed against it—but the first alone might be well within Soviet capabilities, appearing to involve little military risk and capable of being undone if tensions should be renewed later. And even such a limited gesture would ease relations substantially, mark a significant change from Soviet policy of the Brezhnev period, and from the Chinese standpoint tend to put China, rather than the United States, in the "swing" position of the three-power triangle, the one that both the others were courting in light of their own frigid relations.

All this was speculation as of the beginning of 1983. But if Andropov were indeed in a mood to change some of the more sterile policies of his predecessor, it was easy for East Asians to fasten also on the possibilities in Soviet-Japanese relations. Some specialists saw the possibility of an end to the drift and neglect of recent years, and of gestures from Moscow toward Tokyo, designed among other things to persuade the Japanese to go ahead with joint resource development in Eastern Siberia even without U.S. participation or blessing. But it did not appear likely that top-level relations would move very far unless Moscow made important concessions on the northern islands, starting perhaps with a pullback

[2] For a full account of the negotiations over Taiwan arms sales, and an analysis of the underlying factors in Sino-American relations since 1972, see Michel Oksenberg, "A Decade of Sino-American Relations," *Foreign Affairs*, Fall 1982, pp. 175–95.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of the forces deployed there in 1978–80 in what seemed at the time almost a deliberately provocative manner.

A less hostile Sino-Soviet relationship might have implications for Korea, specifically in decreasing North Korea's ability to play its two main benefactors off against each other. If so, a modest reconciliation could be a force for stability on the peninsula, even though it would be somewhat frustrating for North Korea's "Great Leader," President Kim II Sung. In any case, secret visits by Chinese leaders to Pyongyang early in the year and a later state visit to China by President Kim led to guarantees of continued Chinese support for North Korea's political claims, while presumably continuing Chinese counsel of military restraint.

In Indochina, Moscow and Beijing are, of course, on opposite sides. The Soviets enjoy substantial benefits from their close relationship with Vietnam, to offset the burdens of economic and military aid and support; the Chinese are not only strongly hostile to Vietnam but the principal outside supporters of the only marginally effective military forces resisting the Vietnamese takeover of Kampuchea, those of the Khmer Rouge, which became the notorious Pol Pot regime and has been reconstituted under the leadership of Khieu Samphan (with Pol Pot unseen by foreigners but still officially in charge of the army).

In June of 1982, largely through the efforts of key ASEAN countries, notably Singapore, there was finally put together a coalition of opposition groups, with Prince Sihanouk balancing between the mutually hostile Khmer Rouge and the group headed by former Foreign Minister Son Sann. China has joined with the ASEAN countries in supporting this coalition in principle, but there remains a significant difference between Chinese resolve to continue fighting ("to the last Kampuchean," some would say) and the latent willingness of most of the ASEAN group to consider a compromise that would get most of the Vietnamese out of Kampuchea but quite possibly leave Vietnam in ultimate control.

The Vietnamese-Russian relationship, according to many accounts, is already slightly strained, and any Moscow reconciliation with Beijing—despite its distinct limits—would almost certainly increase Hanoi's suspicions about the reliability of any foreigners as allies. This could prompt Hanoi to serious negotiations with the ASEAN nations about Kampuchea, something that would reduce economic drains for China, the U.S.S.R. and Vietnam simultaneously, while giving all three the possibility of improving ties with ASEAN. Given the apparent dead-end prospects for ASEAN's present Indochinese policies, an agreement could probably be reached

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

which would not effectively weaken Vietnam's influence in Kampuchea (or Laos) but would include enough symbolic changes to be acceptable to Hanoi's chief critics.

Throughout the year, however, there was no hint that Vietnam would go for any compromise remotely acceptable to the ASEAN countries, let alone the opposition coalition. Hanoi hasn't indicated any interest in changing even the manner—military occupation—by which it asserts control in Kampuchea, presumably on the grounds that change would be risky. Amending the status quo might, for example, permit what was the murderous Pol Pot regime (still the only serious internal opposition) to reassert itself, and give China added influence on yet another Vietnamese border. The new coalition itself, predictably, is wracked with internal disputes and shows little sign of the cohesion needed to displace or seriously disrupt the Vietnamese. Some even think the troubled Vietnamese economy has passed its worst days, and that Hanoi's troops—thanks to Russian aid—can remain indefinitely, if Vietnam chooses.

In this situation it seems unlikely that even a Soviet government less anti-Chinese than before would, or perhaps could, act to break the impasse. Hanoi is, as often before, in the driver's seat. A compromise with face-saving elements for ASEAN could bring it additional foreign trade and aid, plus the possibility of a decreased Chinese threat balanced by more normal relations with its ASEAN neighbors and the United States. On the other hand, as its repeated official visits around the ASEAN capitals suggest, Hanoi may well calculate that in due course it can have all this for free, without any agreement or any external factors to affect its handling of Kampuchea.

Thus, the prospect remains one of continued limited war, but not one large enough to either significantly change the situation inside Kampuchea or seriously endanger the security of those outside, such as the Thais. For the United States (and its ASEAN partners) there are no evident reasons for changing a confrontational approach to Vietnam. But some day Washington must face the question of whether to continue present policy, or to attract Vietnam into a package deal on Indochina which could give Kampucheans more domestic freedom, reassure ASEAN about Vietnam's regional aspirations and above all restrict the Soviet military presence there.

All in all, from the strategic perspective of Washington, and especially of the Reagan Administration, it was not a good year. The United States remains the only great power with ties to all the key nations (save only Vietnam); its East Asian security presence

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

remains significant, but its key relationships—with Japan, with China, with ASEAN—are each in some difficulty. Was the cooling on the Chinese side in part the result of the pro-Taiwan rhetoric of the Reagan Administration in its initial phase? It is hard to say—perhaps the tide was ebbing in any event from the high point of 1979–80.[3] What is much clearer is that the U.S.-Japan relationship is in serious trouble on the economic side, and this in turn could all too readily affect Japan's behavior in the security sphere, or even ultimately its close security tie to the United States.

III

The postwar rise of Japan to economic superpower status has been chronicled often. Spurred by the communist takeover of China and the Korean War, the United States early on encouraged Japan's emergence as an industrial nation in hopes it would become a force for stability in East Asia. Aided by an undervalued yen, complex protectionist measures and above all enormous ingenuity and hard work, Japan joined the top ranks of industrial states during the past two decades. By some measures it has surpassed the Soviet Union to become the world's second largest economy, a status which has caused Moscow to delete Japanese statistics from some reference books: the comparison is too embarrassing. More important, Japan has become a worldwide rival—in domestic markets as well as in third countries—of Western states long used to considering themselves the dominant factors in the international economy.

Today Japan has a trillion-dollar economy which in 1982 thrust about $141 billion of goods into world markets. Motor vehicles, television sets, computers, ships, clothing, steel, toys—the list seems endless. Around the world, Japanese goods often set quality standards, and are consciously preferred by customers. Even in the military field, the Japanese often excel. Weapons they make under license from American companies again and again surpass their models in quality; for example, a Japanese-made radar for Phantom jets, built under license from Westinghouse, averages 35 hours of use between maintenance stops. The same radar built for and operated by the U.S. Air Force averages ten hours.

But if Japan has proved excellent at giving its goods to the world, it is much less adept at receiving from the outside, and that is where the trouble lies.

In 1982 Japan imported about $21 billion less than it exported. Given the scale of Japan's external trade, that alone might not be cause of great difficulty. But the country's trade surpluses with

[3] See Michel Oksenberg, *loc cit.*, pp. 191–95.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

other industrial nations remain persistent and sizable, despite various acts by Tokyo to reduce tariff and non-tariff trade barriers. With the United States, the current deficit is nearly $20 billion annually; with the European Common Market it is nearly $12 billion. Moreover, Tokyo's efforts to decrease those figures by opening the Japanese market are seen in the West as half-hearted at best, deliberately misleading at worst.

This has prompted increasingly blunt and heated complaints from Western governments, especially in the United States where patience seems to be wearing thin. For example, Secretary of Commerce Malcolm Baldrige, a key figure in trade negotiations, recently said that Japan—despite its claims to the contrary—hasn't taken meaningful steps to liberalize trade. "If they had the will, they could work this out," he asserted. "But the will on the Japanese side, we think, just hasn't been there." Therefore, he continued, "an impetus is building inside the Administration to either take some action or not resist protectionist action by Congress." Such talk may be, in fact, part of the unofficial negotiating process with Tokyo, but there's no doubt that American tolerance is waning, and the possibility of punitive economic moves is increasingly real. Leading presidential candidates, for example, are supporting so-called "domestic content" laws, which require that a fixed percentage of any product's components be manufactured domestically. In December, the lame duck session of Congress failed to act on the most conspicuous of these, which would have applied an 80 percent figure to automobiles, but this and similar measures are sure to be revived in 1983.

In good times, this was less of a problem. But reeling industries and jobless workers alike seek scapegoats, and Japan seems the likeliest candidate as, for example, Hondas proliferate even in Detroit, while auto workers see unemployment benefits expire. A few recent statistics tell the story: in 1982 the Japanese gross national product grew by 2.4 percent while the U.S. GNP dropped by 1.8 percent; U.S. industrial production was down approximately 9.5 percent whereas Japan's was up by 0.5 percent; the U.S. inflation rate was five percent, and the Japanese three percent; and unemployment in the United States at the end of the year stood at 10.8 percent whereas Japan's was 2.5 percent. Moreover, Japan had its large trade surplus, whereas the U.S. trade deficit surpassed the previous record of $42 billion, and threatens to be even larger in 1983.[4]

American frustrations were stated not long ago by Theodore

[4] These figures are as of the end of September for industrial production, and the end of November for the inflation rate. Others cover the whole year.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

White, a respected commentator on the American condition who himself has much experience in Asia.

> . . . [T]he most precise and coordinated trade war of all time is being waged against American industry under the direction of the government of Japan . . . . Over the past ten years, the Japanese have targeted one American industry after another to undermine and wipe out. In the spring of 1981, the last American manufacturer of black and white television sets (General Electric) gave up . . . . Only two American companies make color television sets. The Japanese have pushed our steel mills to the wall; the automobile industry staggers; the microprocessing industry is being punished. This onslaught involves American jobs and livelihoods. Against such an onslaught directed by a foreign power, no single American corporation, no matter how large, neither General Motors nor United States Steel, can stand. The Japanese Ministry of International Trade and Industry (MITI) confronts them with a devastating adversary—a foreign government-industry partnership.[5]

No matter that many assumptions underlying that hyperbolic passage are at least debatable. Such beliefs are widely held in the United States, and have become political facts which Japanese governments fail to recognize. Moreover, similar beliefs hold in Common Market countries and Canada, all of which have taken or are considering trade retaliation. During 1981, for example, Japan's exports to Canada rose 44 percent, prompting Ottawa to seek what a Canadian official calls "a degree of control" over such growth.

For the West, the Japanese response has been disappointing. Westerners find no general inclination within the Japanese government to open markets, and negotiators must spend long hours establishing that serious restrictions exist in the first place. Increasingly, they consider Tokyo's officials misleading and even unreliable; some 65 trade liberalization measures were promised last May, for example, but many are yet to be implemented. The causes are many and complex. But they include weak political leadership from the top, where factions of the ruling Liberal Democratic Party spend much energy dividing the spoils of high office and less on national policy. Added to that is a somewhat autonomous bureaucracy which seems determined to protect from foreign competition those it is supposed to regulate—be they bankers, tobacco farmers or pharmaceutical makers. Compounding the problem is an intensely nationalistic press which describes foreign pressures as anti-Japanese moves, but seldom explains what the negotiations are about. Few Japanese therefore have reliable information about the rules and practices which prompt so many outside complaints, and thus don't take them seriously.

Coupled with such ignorance is a growing resentment by Japanese

[5] Theodore H. White, *America in Search of Itself: The Making of the President, 1956–1980,* New York: Harper & Row, 1982, p. 424.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

who contend they're being criticized unfairly. They stress, quite rightly, that Japan is one of the world's largest importers of goods and services, and minimize Western complaints that only 24 percent of imports consists of manufactured goods—an extremely small proportion by international standards. They point out that most Japanese tariffs are low, and that few items are subject to quantitative restrictions. They say, again correctly, that the Japanese market has opened markedly during the past 10 to 20 years. If Westerners would produce better goods at lower prices, and work harder to sell them, they contend, Americans and others would find receptive and profitable markets for their products. These Japanese contend they are being blamed for other nations' sloth and inefficiency, and they don't like it.

This resentment has some quite diverse origins. A rather traditional one stems from popular belief that Japan remains, despite its remarkable economic history, a weak and vulnerable nation which might suffer if its markets were opened wide to a flood of foreign goods. Devoid of natural resources, dependent upon long supply lines, lacking military power to assert itself, many Japanese contend their nation is being pushed into agreements which counter its own interests, and thus reflect that weakness.

Another thread is quite the opposite—a growing arrogance (as Westerners see it) which contends that Japan is being punished for its technological superiority and therefore must resist. They claim Westerners "have lost the habit of work," and are therefore trying to pull Japan down to their own declining standards. It's only a slight exaggeration to say that some of these Japanese see Europe as a boutique, America as a farm and Australia as a quarry—all serving Japan, which has the world's only thriving technological society. The rest of the world remains a nice place to visit—Europe, for example, offers "cultural monuments, good shopping and exotic sex—all at reasonable prices and all set in elegant stagnation," as one author puts it—but not for Japan to emulate, and not for Japan to rescue by eroding its own industrial and labor practices.

Given this setting, it is not surprising that a year of detailed negotiations at or near ministerial level seemed to bring little progress. Even such internationalists as former Foreign Minister Saburo Okita and former Minister for External Economic Affairs Nobuhiko Ushiba (leading representatives of those outward-looking Japanese who carry some influence but have little political authority) have expressed great exasperation about what they consider excessive demands by outsiders upon the Japanese system. Thus talks on a variety of trade liberalization measures dragged on throughout 1982, with few agreements reached and only limited changes put

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

into practice, some at the end of the year.

Yet foreign businessmen and academics agree that Japan does in fact practice trade discrimination. American baseball bats, to cite one case which has become symbolic of a greater problem, have difficulty meeting Japanese "safety" standards. American testing of pharmaceuticals, arguably the most rigid in the world, isn't accepted by Japanese bureaucrats. Though most tariffs are low, special high ones apply in areas where competition would hurt domestic producers; duties on European confectionaries and American tobacco are leading examples. A small but influential farm lobby keeps tight restrictions on beef and citrus imports.

The problems go deep into the society where marketing practices and bureaucratic rules hinder foreign sales efforts. The tobacco example, though presumably extreme, illustrates the difficulties outsiders can face when they try to sell products which consumers clearly want if they can get them at reasonable prices.[6] Such experiences help explain why a Mitsubishi Corp. survey of 474 American business executives found that 73 percent agreed with the premise that "Japanese bureaucrats try to maintain various nontariff barriers." It also found this belief was strongest among those who had personal experience with Japan.

The issue involves much more than cigarettes or oranges. At stake, worried analysts believe, is an important part of world trading arrangements. Many U.S. officials fear, as a leading American academic put it, that these talks are "a last desperate effort to preserve the free trade system," and they aren't optimistic about the outcome. They worry that a frustrated U.S. Congress may pass retaliatory legislation which could set off a cycle of restrictive actions and reactions, gravely damaging the world's economic recovery

[6] Details of these restrictions were published by *The Wall Street Journal*, which obtained documents issued by an office of the Japan Tobacco & Salt Corp. (JTS), the government-owned monopoly which controls tobacco trade.

Foreign cigarette sales are officially restricted to 20,000 of the nation's 250,000 tobacco outlets, and government-imposed tax and pricing rules require prices 60 percent above those of Japanese-made cigarettes, even though the landed price in Japan for American cigarettes is about the same as factory prices of domestic products. Advertising for and test marketing of imported tobacco products are subject to special restrictions; imports intended as free giveaways, for example, must pay a special 180 percent tariff, compared to the regular 35 percent tariff which foreign companies already consider discriminatory. (This rate is now scheduled to drop to 20 percent in April 1983—a gesture to the United States.)

But the tobacco case goes beyond these formal restrictions. According to official JTS documents issued by a Tokyo office, its bureaucrats were instructed to remove foreign advertising materials from purchase points, stock foreign cigarettes only in machines with limited capacities, tear down foreign advertising posters and otherwise make foreign sales difficult. The president of JTS conceded such practices did occur at times, and promised to halt them. But subsequent trade negotiations involving JTS officials have failed to produce agreement. *The Wall Street Journal*, September 30, October 14, November 3, November 10, December 24, 1982.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

prospects. (They assume any American moves would be echoed by Europe and Canada.) Tokyo's selection of a new prime minister in December 1982 brings into office a moderately more forceful leader, but Yasuhiro Nakasone, like his predecessors, cannot take his ruling party in directions it doesn't want to go. The consensus is that he will give only as necessary on trade matters, hoping limited concessions will postpone drastic American action.

But at heart the issue also involves the fundamental American-Japanese relationship. There is a widespread feeling in the United States that Japan doesn't pay its way in the world politically, militarily and above all economically—that it exploits Western security and trading arrangements without paying its dues. If economic talks fail, with all the emotional issues of jobs and livelihoods attached, the basic linkage between Washington and Tokyo (hence other Western nations) will be at risk. This might well feed a Japanese nationalism already unhappy about Western pressures, and cause at least a limited turn toward Moscow and Beijing in trade and diplomacy, if only to assert independence. It would certainly make the Japanese more interested in a Soviet "peace offensive" if the Kremlin's new leaders make the attempt.

Perhaps an American retaliatory move out of character with past U.S. practice—a trade "shokku"—is needed to force Japan's leaders to treat these issues as fundamental political matters, and not as niggling trade negotiations. That might add the political will which Americans now find lacking. The problem is that it also risks exactly that spiral of restrictive economic practices which could deal a heavy blow to Western economies struggling, with limited success, to rise above the stagnation of recent years.

IV

Though Japanese-American trade disputes may seem most relevant in such cities as Detroit and Nagoya, all East Asia has a vested interest in their resolution. If Japanese-American trade frictions aren't resolved adequately, Asians fear a spiral of protectionism which will affect them particularly.

The growth of regional trade over the past decade has been significant; the industrializing nations of Asia now have large and growing business accounts with each other. Yet they continue to rely on industrialized nations to provide the profitable hard-currency markets which underwrite their own prosperity. Although the ratios have dropped in recent years, all but one East Asian nation still sends the majority of its goods into industrialized mar-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

kets. In 1981, for example, Hong Kong exported 59 percent of its products to industrial nations; Malaysia 51.4 percent and Indonesia 90 percent. Only Singapore, of the free market economies, sent less than half (40.7 percent), and even China—which has neither commodities nor high technology goods to export in bulk—shipped a full 49.7 percent of its products to the richer nations.

Thus the need for a pickup by industrial economies is crucial; East Asian nations cannot sustain real growth without it. "The Singapore economy can stand recession in the United States and Europe for one or two more years," Prime Minister Lee Kuan Yew warned last August, "but no longer." Other leaders express similar views.

At year end, a panel of private economists—polled by *The Asian Wall Street Journal*—revised downward their 1983 growth forecasts for ten East Asian countries from their more optimistic mid-1982 assessments. Their new growth forecasts ranged from 3.4 percent for the Philippines to 7.1 percent for Singapore. In all ten cases their forecasts were somewhat better than the 1982 results, but less than expected only months earlier. But even these cautious predictions could prove too optimistic. In his own gloomy year-end speech, Prime Minister Lee said Singapore may expand by only two or three percent in 1983, largely because of slow U.S. recovery.

For all that, these difficulties must be viewed in context. East Asia remains the world's most buoyant economic region, with a vitality and flexibility which would enable it to exploit quickly any world upturn, and its success is envied throughout the developing world. Even through 1982's relatively hard times, most of the region's nations scored real growth rates of four percent or better. Many achieved export increases in value terms, if not always in quantity, while commodity exporters continued high volumes of oil and gas, rubber, tin and rice shipments—even if generally far below potential and often at deflated prices. Employment remained high in the more industrialized locations, such as Taiwan, Hong Kong and Singapore. Nor did it worsen significantly in the more populous nations such as Indonesia and the Philippines, where underemployment remains a chronic problem. The region does not suffer severe shortages of basic human needs, such as adequate food, as do some other Third World regions, and it has no grave civil disorder.

However, the present slowdown came after years of high growth rates for most of the region, which began to consider such rates normal. "The last two decades have seen phenomenal growth in the developing market economies of East Asia," states a recent World Bank staff working paper. This has, among other things,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

brought "considerable" progress in meeting "basic needs of nutrition, education and health . . . as well as in significant improvements in adult literacy and life expectancy," the study concludes. By such varied measures as the amount of rice in food shops or the number of Mercedes autos stalled in urban traffic jams, East Asia has been on a growth binge.

Now the binge seems over, and Asian governments face more difficult economic times than they've known for a decade or more. They face the need for a combination of belt-tightening and borrowing to get through the coming year or so, but in addition several have domestic problems which complicate their futures. Let us review specific situations briefly:

Hong Kong. A combination of export problems, a real estate market collapse and uncertain political prospects have brought a marked slowdown. Financial Secretary John Bremridge revised 1982 growth estimates downward from eight to six to four percent during the year, and the latter figure now seems optimistic. For the first time since 1975, the colony will have a budget deficit, causing several transport and other projects to be delayed. The government, which bases its fiscal system on low taxes on high prosperity, is considering an upward revision of tax rates in order to balance its budget. Exports are affected by slipping demand overseas, and by such actions as the Common Market's decision to reduce the colony's textile quotas.

Underlying these dim short-term prospects is a basic uncertainty about the colony's future status. China has made clear that it intends to reclaim sovereignty over Hong Kong, probably by 1997 when certain "unequal treaties" with Britain expire, but hasn't explained just how it will do so. While it promises to maintain prosperity by giving Hong Kong considerable autonomy, this too remains undefined. Prime Minister Margaret Thatcher's visit to Beijing in September helped focus the Chinese leadership's attention on the issue—after years of procrastination— and did not create antagonisms or complications which would hinder the chances for an eventually satisfactory solution. Most analysts believe China's pragmatic leaders will compromise the issue in ways which will allow the colony to keep its important role as a foreign exchange earner for the mainland—it may provide as much as $8 billion annually—but this assumption alone isn't enough for many of Hong Kong's citizens, who must risk their lives and livelihoods. Unless China defines its intentions more clearly within a year or so, economic activity may slowly wind down even if a modest worldwide upturn occurs.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Philippines. Economists from private banks, foreign governments and the World Bank, among others, unanimously list this country as Asia's most troubled nation, politically and economically. Following two decades of below average economic growth plus a decade of martial law which made few structural economic changes, the Ferdinand Marcos government must contend with two insurgencies which appear to be growing in size and popularity. One is a communist movement in the northern islands, the other a Muslim separatist movement in the south. Neither poses an immediate challenge to the government, but they do raise troublesome questions about its political future. The failure of President Marcos to establish a reliable system of succession, after 17 years in power, compounds the issue.

As the year ended, President Marcos ordered arrests of his most visible and vocal opponents, many on subversion charges. A newspaper was closed, certain members of the Catholic clergy were denounced and various labor and political opposition leaders were jailed or threatened with reprisals. The reasons remained unclear. None of these foes posed an obvious threat to the administration's hold on power, and some Filipinos feared the main result would be to further radicalize the political opposition.

But the basic problems are economic. According to the World Bank staff study, the Philippines achieved only a modest per capita GNP growth of 2.6 percent annually between 1960 and 1979. This is by far East Asia's lowest rate, and is in fact substantially below the world average for large (more than ten million population) developing nations. Since 1979, the record has worsened. Prime Minister Cesar Virata now estimates the GNP and population growth rates at 2.7 percent—no gain at all on a per person basis. Others say per capita income is declining, with the gap between rich and poor growing substantially wider.

This reflects the Marcos government's inability to end the country's reliance on coconut, copper and sugar shipments, even though manufactures have risen rapidly. Prices for those commodities have fallen, prompting government marketing and subsidy schemes which it cannot afford much longer without outside financial help. Manila is seeking, for example, a $120-million soft loan from Japan to subsidize copper mines. Meantime, the business climate has suffered from widespread belief that close connections to senior officials, more than sound management, are needed to make investments profitable. Although the Marcos government has put skilled and respected technocrats in senior positions, the general feeling remains that beneath them there hasn't been a notable

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

increase in administrative competence. In sum, given prospects for slack overseas markets, the economic outlook isn't optimistic.

Indonesia and Malaysia. These two oil and gas exporters, who also rely on such commodities as tin, both suffer from reduced demand and falling prices. Indonesia's export earnings are down about one-third from earlier expectations, and growth has slipped to about four percent, half the 1981 rate. Malaysian exports have declined only slightly but for the second consecutive year; the overall GNP growth rate is down to 3.9 percent from 6.5 percent a year earlier. Neither nation expects things to get much better soon.

Efforts to diversify their economies haven't reduced reliance on these commodity exports, especially for Jakarta. Indonesia, Asia's only OPEC member, can't maintain official posted prices for oil, while the Malaysian government apparently backed a failed effort to corner the tin market and push that metal's price artificially high. Indonesia has a 150-million population, but one too poor for a thriving consumer society. Malaysia has higher personal incomes but only 14 million people. This has prompted Prime Minister Mohamed Mahathir to propose a slightly odd economic recovery program: shelter infant industries behind protectionist barriers and produce larger families. If the country's population can reach 70 million, he suggested, it might support self-sustaining prosperity. Just how serious the prime minister was remains unclear. In the meantime, both nations, like so many others in Asia, await a Western economic revival.

Singapore, South Korea and Taiwan have a common problem: falling demand for factory products. Although South Korea's exports are up in dollar terms, there isn't much volume increase. Taiwan is showing a six-percent drop while Singapore is experiencing only modest rises. This is a major factor behind an economic slowdown in all three nations, and feeds a growing sense of frustration; there is not much they can do to keep domestic economies buoyant when overseas demand sinks.

One result is increased borrowing. South Korea's foreign debt surpassed $32 billion, one of the world's largest totals. The Philippines' debt has reached $16 billion, a more dangerous sum given its greater difficulty in generating large foreign exchange receipts. Even such recently prosperous nations as Indonesia and Malaysia, no longer able to pay their way with oil and gas revenues, are turning to capital markets in diverse ways. Such overseas borrowings may enable Asians to finance development projects (though at a reduced pace) and meet budget deficits until an economic recovery restores greater earnings. In any case, international bankers

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

don't seem seriously worried about their prospects; the possible exception is the Philippines, although few put it in the same debt league as Mexico or Brazil. This is partly because interest rates are falling; each one percent drop means a $70-million annual interest saving for the Manila government, and aids other countries in a similar fashion.

But borrowing is more an expedient than a cure. East Asia's free market economies face some fundamental policy choices in the years just ahead if they are to retain the vitality of the past two decades. They somehow must reduce their large current account payments deficits without also reducing growth rates, so that poverty can be eradicated where it remains a serious problem—particularly in Indonesia and the Philippines. This requires improved economic management and use of resources, especially channeling investment into job-creating industries while conserving expensive (usually imported) energy. For reasons of "equity and social stability," notes the World Bank study, special emphasis must also be placed on raising living standards of the rural poor, which means much investment must be diverted from modern infrastructure and capital-intensive industrial projects.

Yet East Asia has enormous resources, and its chances of continued success remain good. Education and technical skills are highly prized, as is hard work. Governments generally have intelligent investment policies, yet keep hands off daily management. Entrepreneurs who succeed are allowed to reap the benefits. Those nations which depend most on natural resources are trying with some success to diversify their economies, though they have far to go. Those without resources have developed special skills in adapting to overseas markets and exploiting trends or changes. If the World Bank is correct, the free market nations—once the current slowdown is behind them—should again achieve long-term annual growth rates in the six to eight percent range.

V

Of all Asian nations, China had perhaps the most successful year. Continuing the gradual move away from the radical policies and radical politicians of the Mao Zedong era, it made a special effort to institutionalize the pragmatic approaches of Deng Xiaoping. A new constitution—the fourth since 1949—was approved; on paper it strengthens certain individual rights. More important, new laws were promulgated in an effort to bring predictability to civil life, so that (as one Beijing official put it) laws will not change every time leaders change their minds. After so much turmoil in recent

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

years, a degree of public cynicism must exist, yet the effort to govern China in moderate and flexible ways seems generally welcomed.

The economy reflected this trend. China seems to be enjoying what may be a long period of gradual expansion, some four to five percent annually in real terms, which is exactly what the current five-year plan anticipates. (The plan was finally announced after two of its years were completed.) As explained by Premier Zhao Ziyang, Beijing's goal is steady growth through the decade. Consumer goods and foodstuffs will get higher priority than in many Maoist years, but there were no promises of great leaps, which risk great falls.

Foreign trade and investment play a growing part in the overall plan, and it seems likely that an autonomous Hong Kong will continue its crucial role in expanding China's economic relations overseas. Revolutionary zeal seems to be gone, and—if that makes China a bit more dull—it means China is becoming more predictable and, slowly, a bit more prosperous. The effective dissolution of communes and introduction of the "responsibility" system play an important part in this; work goals are set by smaller, even family-size units rather than the village-size production teams of Chairman Mao's day.

China continued its important American relationship, but also accelerated the effort to establish itself as an independent force with close ties to the developing world. The most dramatic example was resumption of Sino-Soviet diplomatic talks aimed at improving official (including economic) relations with Moscow. The effort seems entirely plausible from Beijing's viewpoint; hostile relations with a neighboring superpower can be both costly and dangerous. But China also needs predictable ties with the United States and other industrial states for economic and technological reasons. This may explain why, after much early quarreling, Beijing and Washington reached their mushy compromise on the Taiwan arms issue.

The year ended with the Deng Xiaoping moderates clearly in charge of policy. Some elderly senior officials were pushed into semi-retirement, including the defense minister, a conservative figure who reportedly didn't get along well with the People's Liberation Army, and some other military men also were removed. Their replacements, however, were clearly Deng appointees and no signs of a serious split with PLA leadership—over the size of the arms budget, for example—were evident. The National People's Congress in December confirmed and continued existing economic policies, including the trend toward limited decentralization, and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

more use of economic incentives.

In the party, meantime, the politburo gained seven new members and dropped six, increasing its size to 25. The leading casualty was Mao Zedong's chosen successor as Party Chairman, Hua Guofeng, too closely identified which the radical policies of "Gang of Four" days to retain his influence even though he did keep a central committee seat. Of the 348 members and alternate members elected to the Central Committee in September at the 12th Party Congress, 60 percent were newcomers. In general, they represented the Dengist policy of choosing younger, better-educated leaders. A full 59, for example, have specialized technical training—up from only nine named at the previous (1977) Party Congress.

Some internal opposition to this pragmatic line continued. However, it was often on bureaucratic rather than policy grounds. Cautious Chinese cadres, many of whom suffered from past policy changes, remain reluctant to assume the decision-making responsibility that Beijing sometimes tries to thrust upon them; in the past, taking decisions all too often led them into trouble. Others had been conditioned to the frequently lethargic workstyle of a centralized state, and resisted by inaction Beijing's efforts to modify their ways. This bureaucratic resistance causes the Center much frustration, and has led to talk of sweeping administrative reforms. Relatively little has happened to date, though, partly because any fired bureaucrats will need jobs elsewhere.

VI

As the year ended, little optimism was found on the trade front, either in the Japanese-American context or as a result of the GATT Ministerial Meeting in November (where the Japanese wisely stayed aloof as Europeans and Americans argued about the merits of freer trade). The new Japanese Cabinet was, like its predecessors, sending contradictory signals, though a stronger note of resistance seemed to be emerging. "We Japanese should put an end to the habit of panicking and asking ourselves what to do each time a trade partner makes demands," the new Trade and Industry Minister stated in an interview.

Prime Minister Nakasone's visit to Washington in January 1983 was the occasion for his making some forthcoming statements on Japan's defense role. But the limited Japanese concessions announced before the visit only eased the atmosphere, and it is clear that his ability to offer important changes continues to be sharply restricted by political and bureaucratic pressures at home. Meantime, domestic pressures favoring retaliation continue to rise inside

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the United States, despite President Reagan's outspoken attacks on protectionism as "an ugly specter stalking the world," which in the long run destroys rather than saves jobs.

The other Asian free market nations found little solace in the President's efforts, because the trend toward protectionism continued. The European Community, for example, cut quotas for five "sensitive" Hong Kong textile products by 6.3 percent to 8.3 percent, while applying "restraint levels" to 34 others. The ASEAN states all had similar experiences with the Common Market, while American companies kept asking their government for similar help. South Korea and Taiwan also saw industrial markets decline as protectionist barriers were at least considered, if not erected. Even Japan, already under fire for its existing measures, contemplated new trade restrictions aimed at other Asian producers. Japanese makers of textiles, petrochemicals and steel, among others, sought government protection from what they called "dumping" of cheap products by Asian rivals.

After the Russians tried to open trade doors with Japan back in 1805, a poet in Edo expressed a common view in *haiku* form:

> O New Year pine decorations
> dishearten the barbarians
> and chase them away.

As Professor Toru Haga of the University of Tokyo puts it, "the Japanese reaction to shocks activated by foreign pressure has not changed much since the days of the Tokugawa regime, when the country's doors were closed to the rest of the world."

Unfortunately, the economic prosperity and eventually, perhaps, the political stability of East Asia rest on the joint willingness of Japanese, American and European governments to rise above traditional attitudes and overcome their reluctance to forego short-term defensive measures. But their ability to do so requires a degree of political courage which to date seems beyond them.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Janis A. Kreslins

CHRONOLOGY 1982

UNITED STATES
(*See also* country, regional and topic entries)

JAN. 4. President Ronald Reagan names William P. Clark to succeed National Security Adviser Richard V. Allen; nominates Walter J. Stoessel, Jr. to succeed Clark as Deputy Secretary of State.

JAN. 12. Reagan pledges to support Puerto Rican statehood "should the people of that island choose it in a free and democratic election."

JAN. 25. Ninety-seventh US Congress, second session, convenes in Washington; session ends 12/23.

JAN. 26. In his State of the Union message, Reagan announces plan to transfer $47 billion in federal programs to state and local control; vows to stand by tax cuts; predicts Fiscal Year (FY) '82 deficit of less than $100 billion.

JAN. 28. Reagan Administration proposes doubling to 40,000 per year each the number of persons allowed to immigrate to the US from Canada and Mexico.

FEB. 6. Reagan sends $757.6-billion FY '83 budget to Congress; projects $91.5-billion deficit.

FEB. 17. Gen. David C. Jones, chairman of Joint Chiefs of Staff, proposes broad changes in Joint Chiefs system.

FEB. 25. Congressional Budget Office projects FY '83 deficit of $120.6 billion, rising to $139.6 billion by FY '85 due to 1981 tax cuts.

MAR. 4. Reagan nominates Army Gen. John W. Vessey, Jr. to succeed Jones 7/1 as chairman of Joint Chiefs.

MAR. 22. US space shuttle *Columbia* is launched into orbit for third test flight; returns safely 3/30.

APR. 26. Reagan nominates John N. McMahon as Deputy Director of Central Intelligence, succeeding Adm. Bobby R. Inman, who resigned 4/21.

MAY 16. Census Bureau releases report estimating US population at 229,307,000 as of 7/1/81.

JUNE 21. Air Force announces formation of a Space Command effective 9/1 to expand US military operations in space.

JUNE 22. House of Representatives approves (210-208) Republican-sponsored FY '83 compromise budget of $769.8 billion, with projected deficit of $103.9 billion; Senate approves (54-45) same budget 6/23.

JUNE 24. In ruling on suit involving former President Richard M. Nixon, Supreme Court holds (5-4) that Presidents enjoy absolute immunity from damage suits stemming from any official acts taken while in office.

JUNE 25. Secretary of State Alexander M. Haig, Jr. announces he will resign, steps down 7/5; Reagan nominates George P. Shultz to succeed him; Shultz confirmed 7/15, sworn in 7/16.

JUNE 27. US space shuttle *Columbia*, carrying its first military and commercial payloads, is launched on fourth and final test flight; returns safely 7/4.

JULY 19. Reagan nominates Kenneth W. Dam as Deputy Secretary of State.

JULY 22. Murray L. Weidenbaum resigns as chairman of Council of Economic Advisors; Reagan names Martin S. Feldstein to succeed him 8/8.

AUG. 28. Reagan vetoes $14.1-billion FY '82 supplemental appropriations bill; House (301-117) and Senate (60-30) vote on 9/9 and 9/10, respectively, to override veto.

OCT. 8. Department of Labor reports that US unemployment has reached 10.1%,

---

Janis A. Kreslins was editor of the Council on Foreign Relations' *Foreign Affairs Bibliography, 1962–1972.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

highest level since 1940.

OCT. 26. Reagan Administration releases figures showing record FY '82 budget deficit of $110.7 billion; October figures released 11/25 show $26.2-billion deficit for first month of FY '83, largest 1-month deficit ever.

NOV. 2. Democratic Party picks up 26 seats in House of Representatives in midterm elections, increasing Democratic majority (267[D]-166[R], Democrats win 2 additional House seats in Georgia election 11/30); Republican majority in Senate remains unchanged (54[R]-46[D]); Democrats gain 7 governorships, increasing statehouse majority (34[D]-16[R]).

— Voters approve call for US-Soviet nuclear weapons freeze in 8 states, District of Columbia, and some 30 cities and voting districts.

NOV. 5. Energy Secretary James B. Edwards resigns; Reagan nominates Donald P. Hodel to succeed him.

NOV. 11. US space shuttle *Columbia* begins first operational flight; returns successfully 11/16 after launching 2 communications satellites.

NOV. 13. Memorial to 57,939 US soldiers killed or missing in Vietnam War is dedicated in Washington.

DEC. 6. Reagan nominates W. Paul Thayer to succeed Deputy Secretary of Defense Frank C. Carlucci.

DEC. 28. Secretary of Transportation Drew Lewis announces resignation effective 2/1/83; Reagan nominates Elizabeth H. Dole 1/5/83 to replace him.

THE UNITED STATES AND THE WORLD ECONOMY

JAN. 8. Commerce Secretary Malcolm Baldrige reports failure to reach steel import agreement with European Economic Community (EEC).

JAN. 18. Japan reports $13.4-billion trade surplus with US for 1981, nearly double the 1980 figure.

MAR. 10. US imposes embargo on Libyan oil imports and curtails high technology exports to that nation, charging it with supporting terrorist and subversive activities.

MAR. 20. Meeting in Vienna, Organization of Petroleum Exporting Countries (OPEC) oil ministers agree to cut combined oil production by 700,000 bbl./day, and reaffirm $34/bbl. price through 1982.

MAR. 25. France adopts currency controls to stabilize franc (*see* Western Europe and Canada).

MAR. 29. In response to US pressure, Japan says it will restrict automobile exports to US in coming year to last year's level of 1.68 million units.

MAR. 29–30. European leaders at EEC summit in Brussels discuss growing economic slump, blame high US interest rates for spreading recession and unemployment.

APR. 22. US signs agreement to purchase 1.8 million bbl. of Iranian oil for Strategic Petroleum Reserve at bargain $53.12-million price.

MAY 5. International Monetary Fund votes to admit Hungary as member.

MAY 21. OPEC members, meeting in Quito, Ecuador, agree to maintain current oil production ceiling of 17.5 million bbl./day at $34/bbl. price "until further notice."

MAY 27. Responding to US and European criticism, Japan announces steps to stimulate imports by reducing tariffs on over 200 products.

JUNE 4–6. Leaders of 7 largest Western industrial nations hold economic summit in Versailles; reach limited agreement on East-West trade, announce plans to align national economic policies more closely.

JUNE 5. Capping long and sometimes acrimonious negotiation process, President Ronald Reagan and Japanese Prime Minister Zenko Suzuki formally adopt 3-year interim air travel agreement, allowing both nations new route and transport privileges.

JUNE 11. Commerce Department announces plans to levy countervailing duties on steel imports from 9 countries, including 7 EEC members, in order to offset subsidies provided to steelmakers in those nations; EEC foreign ministers lodge sharp protest against US decision 6/22.

— France announces wage and price freeze, devalues franc (*see* Western Europe and Canada).

JUNE 22. US charges Canada with illegally subsidizing export credits to help Canadian

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

manufacturer win $662-million contract to build New York City subway cars.

— Six Japanese employees of Hitachi Ltd. and Mitsubishi Electric Corporation are arrested in US on charges of conspiring to steal computer secrets from International Business Machines Corporation; warrants are also issued for 12 other Japanese businessmen living in Japan.

JUNE 23. Twenty countries adopt 5-year agreement to stabilize price of tin; agreement, boycotted by US, USSR and Bolivia, goes into effect 7/1.

JULY 2. In policy change, World Bank announces decision to sell $1.5 billion in short-term notes, and to make borrowers pay variable interest rates.

JULY 8–10. OPEC members meet in emergency session in Vienna, but fail to reach accord on production limits and joint oil pricing policy.

JULY 22. US rejects EEC proposal to cut European steel exports to US by 10% from 1981 levels in return for lifting of planned US countervailing duties; US and EEC negotiators reach preliminary accord 8/6, but agreement is quickly rejected by US steel companies.

AUG. 20. US outlines plan to aid Mexico with acute debt obligations; Mexican government announces strict new banking, currency controls 9/1 (*see* Latin America: Central America and the Caribbean).

SEPT. 6–10. World Bank and International Monetary Fund hold joint annual meeting in Toronto; industrial nations, led by US, demand tightening of borrowing controls; Third World nations call for relaxation on conditions attached to IMF loans; donor nations, except US, agree 9/8 to provide additional $2 billion in 1984 to International Development Association.

OCT. 11. International Energy Agency warns that global oil shortage and oil price run-up are likely after 1985 unless West reduces dependence on imported oil.

OCT. 15. Establishing grounds for new duties on imported steel, US International Trade Commission rules that subsidized steel from Belgium, Britain, France, Italy, Luxembourg and West Germany has severely injured American steel industry.

OCT. 21. US reaches agreement with EEC on 3-year plan to limit European steel exports to US beginning 11/1.

OCT. 27. Algerian central bank clears payment of nearly $6 million in claims against Iran awarded by Iran-US Claims Tribunal.

NOV. 10. Reagan Administration charges that Japan has not abided by agreement to lower barriers to its market; warns of possible US retaliation against Japanese exports to US.

— US relaxes opposition to increases in IMF funding, reportedly offers new plan calling for 40% increase in IMF resources to aid nations in acute debt crisis.

NOV. 23. EEC rejects US demands to phase out government agricultural export subsidies totaling $8 billion per year.

NOV. 24–29. Representatives from 88 General Agreement on Tariffs and Trade signatory nations meet in Geneva; final declaration reaffirms commitment to free trade, skirts EEC farm subsidies issue and Third World trade barriers, extends international trade rules to cover banking, insurance and data processing.

DEC. 3. European monetary officials say US, West Germany, UK, France and Japan have tentatively agreed to 50% increase in basic IMF lending resources.

DEC. 4. At close of visit by US trade delegation, Japan tentatively promises new steps to open its market to foreign goods.

DEC. 6. Treasury Secretary Donald T. Regan says US will push for new international conference modeled after 1944 Bretton Woods meeting in order to improve global monetary system, deal with mounting international debt, unemployment problems.

DEC. 9–10. Top economic officials from US, West Germany, France, UK and Japan meet in Kronberg, West Germany, for talks aimed at averting international banking crisis, strengthening international monetary system; participants agree to push for large increase in IMF lending resources.

DEC. 10. US and EEC agree in Brussels on measures to narrow growing disagreements over agricultural export policies.

DEC. 16. US steel industry files unfair trade complaint with Office of US Trade Representative, asking for one-third reduction in steel imports from Japan.

DEC. 19–20. OPEC oil ministers meet in Vienna; fail to agree on production quotas for individual members; agree to raise overall production ceiling to 18.5 million bbl./day, reaffirm $34/bbl. base price.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

WESTERN EUROPE AND CANADA

JAN. 18. US military attaché Lt. Col. Charles Robert Ray is slain outside his home in Paris; Lebanese Armed Revolutionary Faction claims responsibility.

JAN. 19. Dutch Socialist Pieter Dankert is elected president of European Parliament.

JAN. 25. Italian Communist Party, responding to 1/24 criticism from Moscow, broadly denounces Soviet policies.

JAN. 26. Finnish Prime Minister Mauno Koivisto wins presidency, succeeding Urho Kekkonen; new coalition government announced 2/17 with Social Democratic chairman Kalevi Sorsa as prime minister.

JAN. 27. Irish Prime Minister Garret FitzGerald resigns; new elections scheduled 2/18.

JAN. 28. US Brig. Gen. James L. Dozier is rescued by national police in Padua, Italy, 42 days after abduction by Red Brigades terrorist group.

FEB. 16. Maltese Parliament elects Agatha Barbara president for 5-year term.

FEB. 18. Fianna Fail Party wins narrow victory in Ireland's second general election in 7 months; Charles J. Haughey named prime minister 3/9.

FEB. 24. Greenland votes in referendum to leave European Economic Community (EEC).

MAR. 25. France tightens controls on flows of money abroad in move to save plunging franc from second devaluation since Socialist-led government of François Mitterrand took office 5/21/81.

MAR. 29. UK approves Canada Act, officially ceding power to amend Canadian Constitution.

APR. 2. UK breaks off diplomatic relations with Argentina following Argentine invasion of British-held Falkland, South Georgia and South Sandwich Islands (*see* Latin America: The Falkland Islands War).

APR. 8. UK and Spain postpone scheduled opening of land frontier to Gibraltar and delay negotiations on future of that colony until 6/25 due to Falkland Islands crisis.

MAY 14. Dutch coalition government breaks up as 6 Labor Party ministers resign over proposed spending cuts; interim minority government formed 5/29 pending September elections.

JUNE 1. Bombs rock 4 US military bases in Germany; Revolutionary Cells Terrorist Group claims credit, tying attacks to forthcoming visit by President Ronald Reagan.

JUNE 2–11. Reagan makes state visit to Western Europe: Paris and Versailles (7-nation economic summit) 6/2–6/6; Vatican City and Rome 6/7; London and Windsor 6/7–6/9; Bonn 6/9–6/11.

JUNE 11. France announces devaluation of franc by 5.75% against US dollar, 10% against German mark; Prime Minister Pierre Mauroy announces 4-month wage and price freeze 6/12.

JULY 2. Roy Jenkins elected leader of British Social Democratic Party.

JULY 13. Vatican announces major investigation of questionable dealings between Vatican bank and Banco Ambrosiano involving more than $1.4 billion in unsecured loans.

AUG. 7. Italian government of Giovanni Spadolini falls following withdrawal of Socialist Party support; Spadolini forms new coalition 8/23.

AUG. 9. Six people are killed and 22 wounded as gunmen attack kosher restaurant in Paris; Israeli Prime Minister Menachem Begin 8/10 attributes shootings to anti-Jewish bias in French press.

SEPT. 3. Danish minority Social Democratic government of Anker Jørgensen resigns over economic issues; 4-party coalition under Conservative leader Poul Schlüter takes office 9/10.

SEPT. 8. Dutch general elections yield strong gains for conservative Liberal Party, permitting it to join with centrist Christian Democratic Appeal in new 2-party coalition under incumbent Prime Minister Andries van Agt.

SEPT. 10. French franc slumps to record low of 7.085 to US dollar, or 14.1 cents; France announces 9/16 it will seek $4-billion loan to defend franc on foreign exchange markets.

SEPT. 17. West German Chancellor Helmut Schmidt's government collapses as Free Democratic Party (FDP) withdraws from coalition with Schmidt's Social Democrats (SPD); opposition Christian Democratic leader Helmut Kohl receives FDP support and is elected chancellor in 10/1 Parliament vote (256-235), ending 13-year SPD-FDP ruling partnership.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

SEPT. 19. Swedish Social Democratic Labor Party led by Olof Palme wins 166 seats in parliamentary elections, joins with Communist Party (20 seats) to form new coalition government; Palme sworn in as prime minister 10/7.

SEPT. 27. Dutch Prime Minister van Agt resigns; former Economics Minister Ruud Lubber sworn in 11/4 to replace him.

OCT. 16. Greek Prime Minister Andreas Papandreou warns US that if new agreement on US military bases in Greece is not reached within time limit fixed by negotiators, bases will have to be removed; talks get under way 10/27.

OCT. 20. Voters in Northern Ireland elect 78-seat advisory assembly as first step in attempt to restore home rule, but British officials are dismayed by strong showing of Protestant and Catholic radicals.

OCT. 28. Spanish Socialist Workers' Party led by Felipe González Márques wins landslide victory in national parliamentary elections; right-wing Popular Alliance Party wins second highest vote, becoming major opposition group; González sworn in as prime minister 12/2.

OCT. 29. West German SPD leaders choose former West Berlin Mayor Hans-Jochen Vogel to replace Helmut Schmidt as party candidate for chancellor.

NOV. 4. Irish Prime Minister Haughey's government falls in parliamentary vote of no-confidence; new elections 11/24 show slight swing to Fine Gael Party; Parliament elects Fine Gael leader FitzGerald prime minister in coalition with Labor Party 12/14.

NOV. 6. Santiago Carrillo steps down as Spanish Communist leader in wake of his party's rout in 10/28 elections.

NOV. 13. Italian Prime Minister Spadolini resigns (initial resignation 11/11 was refused by President Sandro Pertini); Italian Senate Leader Amintore Fanfani forms new 4-party coalition government 11/30.

NOV. 25. Bulgarian national airline employee arrested in Rome and charged with complicity in 5/13/81 attempted assassination of Pope John Paul II.

DEC. 4. Spain announces 8% devaluation of peseta to help stem capital flight.

DEC. 8. Turkish gunman Mehmet Ali Agca, convicted of 5/13/81 attempt on life of Pope, says he "received instructions" in Bulgaria to kill Pope, and was helped in Rome by Bulgarian secret service.

DEC. 15. Spain reopens border with Gibraltar, closed since 1969.

DEC. 16. Spanish Prime Minister González tells Shultz that Spain will remain loyal US ally even though it has "frozen" further Spanish integration into North Atlantic Treaty Organization.

DEC. 17. West German Chancellor Kohl's coalition intentionally loses parliamentary no-confidence vote, clearing way for general elections in 3 months.

DEC. 19. Portuguese Social Democratic Party leader Francisco Pinto Balsamão resigns as prime minister; nominates party official Vitor Crespo 12/27 to succeed him.

SOVIET UNION AND EASTERN EUROPE

JAN. 6. Poland and USSR sign $11.8-billion trade agreement.

JAN. 8. Poland's military government announces that 17 people have died since imposition of martial law 12/13/81.

JAN. 10. Pope John Paul II issues denunciation of military crackdown in Poland.

JAN. 21. More than 100 Polish artists and intellectuals send petition to Polish Parliament and Roman Catholic Primate Archbishop Josef Glemp protesting against martial law and repression.

JAN. 25. Leading Soviet Communist ideologist Mikhail A. Suslov dies in Moscow at age 79.

— In major speech to Polish Parliament, martial law head Gen. Wojciech Jaruzelski denounces US economic sanctions and declares martial law necessary to avoid civil war; Parliament ratifies martial law decree issued by Jaruzelski 12/13/81.

JAN. 28. Polish police release TV film allegedly showing 9 Americans participating in espionage activities against Poland.

FEB. 8. Polish government outlines plan aimed at making Poland economically independent from West.

FEB. 13. Police arrest 194 people in Poznan, Poland, as they try to hold demonstration protesting martial law; demonstrations in Warsaw urged by underground Solidarity trade union leaders fail to materialize.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

— Western press reports say Poland and People's Republic of China concluded trade agreement in late January providing for 25% rise in mutual trade during 1982.

FEB. 24. Jaruzelski, addressing Polish Workers' Party Central Committee, declares that persisting tension is prolonging military rule, and accuses US of waging "economic war" on Poland; Committee expresses "full support" for Jaruzelski's policies 2/25.

FEB. 27. Polish Roman Catholic episcopate, in strongest statement since crackdown, calls for end to martial law, freedom for political detainees, and a national covenant including participation of banned trade union Solidarity.

MAR. 1–2. Polish leader Jaruzelski makes official visit to USSR, meets with Soviet President Leonid I. Brezhnev; in joint communiqué 3/2, Jaruzelski assures USSR that any further challenges to Communist regime in Poland "will be cut short."

MAR. 10. UN Human Rights Commission adopts resolution (19[US]-13-10) urging "end to measures restricting human rights and fundamental freedom" in Poland.

APR. 4–5. Soviet Foreign Minister Andrei A. Gromyko makes first visit to Yugoslavia by high-level Soviet official since death of former President Josip Broz Tito 2 years ago.

APR. 28. Polish government announces release of 800 people interned under martial law, and lifts several martial law restrictions, including nationwide curfew.

MAY 1. Approximately 30,000 Poles march in Warsaw to protest martial law and demand release of interned union leader Lech Walesa.

MAY 3. Polish police and protesters clash in Warsaw as government attempts to break up parade of about 10,000 demonstrators marching in support of banned Solidarity union and against martial law regime; in response to riots, Polish Military Council reimposes curfew, restricts telephone service.

MAY 8. Polish Archbishop Glemp urges Polish young people to avoid clashes with police, calls for restraint.

MAY 13. Responding to call by underground Radio Solidarity, Poles stage work stoppages and demonstrations to commemorate 5-month anniversary of martial law decree.

MAY 26. *Yuri V. Andropov resigns as head of Soviet Committee for State Security* (KGB) after being chosen as permanent member of Soviet Communist Party Secretariat; succeeded in KGB post by KGB official Vitali V. Fedorchuk.

JUNE 24. French Air Force Col. Jean-Loup Chrétien and 2 Soviet cosmonauts lift off aboard Soviet Soyuz T-6 spacecraft for 9-day flight in first mission involving astronaut from outside US and Soviet bloc; spaceship returns safely 7/2.

JUNE 26–29. Yugoslav League of Communists holds 12th Congress; elects Mitja Rabicic president of Central Committee 6/29.

JUNE 28. Police in Poznan, Poland, clash with some 4,000 demonstrators marching to commemorate 26th anniversary of riots in that city.

JUNE 30. Polish authorities lift curfew in Warsaw.

JULY 21. Polish regime releases 1,227 people detained under martial law, postpones planned August visit by Pope; Jaruzelski says martial law could be suspended by end of year if tensions subside.

JULY 26. Polish press agency PAP reports that in first half of 1982 Poland's overall production fell 7.8% and living costs rose 104%.

AUG. 13. Riot police in Gdansk, Warsaw and other Polish cities break up marches and demonstrations marking 8-month anniversary of martial law decree; underground Solidarity leaders call for nationwide marches on union's 2-year anniversary 8/31.

AUG. 26. Addressing over 350,000 worshippers in Czestochowa, Polish Archbishop Glemp demands freedom for union leader Walesa, appeals for calm on eve of planned pro-Solidarity demonstrations; nation's Roman Catholic bishops issue urgent call 8/28 for protestors to avoid bloodshed.

AUG. 29. Polish leader Jaruzelski warns public against "excesses and irresponsible demonstrations," says violations of martial law "will not be tolerated."

AUG. 31. Demonstrations in major Polish cities mark 2-year anniversary of Solidarity; police arrest 4,050 people in violent street battles as crowds hurl rocks, bricks and gasoline bombs; 2 persons are killed as police open fire in city of Lublin, where violence continues for 3 days.

SEPT. 3. Polish regime brings formal treason charges against 4 dissident leaders interned on martial law violations.

SEPT. 6. Four armed men claiming to represent Polish Insurgent Home Army seize Polish embassy in Bern, Switzerland, demanding lifting of martial law restrictions and release of all Polish political prisoners; Swiss police storm embassy 9/9, capturing gunmen

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and freeing hostages; Western reports suggest link between gunmen and Polish intelligence services 9/11.

SEPT. 8. Moscow group formed to monitor Soviet violations of Helsinki Agreements announces that arrests and deportations have forced it to disband.

SEPT. 17. In strongly worded statement, Polish bishops blame government for recent violence, warn it of necessity to compromise with leaders of banned Solidarity union.

OCT. 8. Polish Parliament approves law banning all existing labor unions, including Solidarity, and replacing them with new set of sharply restricted unions; Jaruzelski defends law 10/9 as only practical way out of Poland's political and economic crisis.

OCT. 10. Underground Solidarity coordinating committee issues call for 4-hour national strike by Polish workers 11/10.

OCT. 11. Workers in Gdansk and other Polish cities strike to protest legislation banning Solidarity union; police arrest 148 people 10/12 in street clashes, and strike ends 10/13 after martial law authorities draft striking workers into military service; demonstrator is killed 10/13 as police open fire on crowd in southern town of Nowa Huta.

OCT. 27. Polish Central Committee official Manfred Gorywoda says breakdown in nation's economy has reached "unprecedented scale."

OCT. 30. Polish Archbishop Glemp announces opposition to planned 11/10 strike due to fear of increased government repression; says 11/7 that Church sympathizes with strike goals, but "will do everything to avoid bloodshed."

NOV. 5. Central Intelligence Agency (CIA) releases report estimating that at least 4 million people are compelled to undertake "forced labor" in USSR.

NOV. 8. Polish martial law head Jaruzelski and Archbishop Glemp announce that Pope will visit Poland in 6/83.

NOV. 10. Soviet President Brezhnev dies at age 75; USSR declares 4-day period of mourning.

— Solidarity union's call for national strike receives only scattered response in Poland; violent clashes occur in town of Nowa Huta, where riot police battle demonstrators through night.

NOV. 11. Polish regime announces it will release interned Solidarity leader Walesa; Walesa arrives home 11/14, declares he will "speak out on all matters which interest us."

NOV. 12. Soviet Communist Party Central Committee names former KGB chief Andropov to succeed Brezhnev as Party's General Secretary; Andropov named to Presidium of Supreme Soviet 11/23.

NOV. 15. Vice President George Bush and Secretary of State George P. Shultz lead US delegation to Brezhnev's funeral, meet briefly with new Soviet leader Andropov.

NOV. 20. Underground leaders of Solidarity union call off protests planned for December in response to conciliatory signs from Polish regime.

NOV. 29. Polish government announces release of 327 people interned under martial law.

DEC. 3. Polish leader Jaruzelski, in toughly worded nationwide speech, bitterly denounces US as "main inspirer of anti-Polish actions," and threatens sharp new curbs on US-Polish relations.

DEC. 10. Two Soviet cosmonauts land safely in central Asia after record 211 days in orbit aboard Salyut-7 space station.

DEC. 11. In letter to Polish martial law chief Jaruzelski, Solidarity leader Walesa asks regime to restore legal status of free labor unions and to grant amnesty to all martial law internees.

DEC. 12. Polish leader Jaruzelski announces that basic provisions of martial law will be suspended by end of year; Western analysts say legislation lifting martial law will simply shift powers to new civil codes.

DEC. 14. Poland announces new restrictions on cultural and scientific relations with US.

DEC. 16. Polish authorities detain Solidarity leader Walesa for day to prevent him from delivering speech in Gdansk; copy of speech distributed to newsmen 12/14 calls for "open, democratic and peaceful means" to regain progress made before Solidarity union was banned.

DEC. 17. USSR appoints KGB chief Fedorchuk to new post as Minister of Internal Affairs; Fedorchuk is succeeded at KGB by deputy Viktor M. Chebrikov.

DEC. 19. Polish Council of State announces that martial law will be formally suspended 12/31.

DEC. 20. UN announces that Secretary General Javier Pérez de Cuéllar will begin inquiry into human rights in Poland 12/21.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

DEC. 23. Poland announces release of all persons interned on martial law violations, but says 7 former Solidarity union leaders have been formally arrested.

DEC. 25. CIA report says Soviet gross national product has grown by 4.8% per year over last 30 years, but notes that recent growth has dropped to less than 3% annually.

EAST-WEST RELATIONS

JAN. 4. European Economic Community (EEC) foreign ministers appeal to Polish regime to end state of martial law; promise to avoid any actions which would undercut US economic sanctions imposed against Poland 12/23/81 and against USSR 12/29/81.

JAN. 8. US denies export licenses to General Electric Company on $175 million of components for Soviet Euro-Siberian natural gas pipeline.

JAN. 11. Meeting in Brussels, foreign ministers of North Atlantic Treaty Organization (NATO) condemn imposition of martial law in Poland; joint Soviet-Polish communiqué sharply derides NATO statement, but also stresses importance of East-West détente.

JAN. 12. Secretary of State Alexander M. Haig, Jr. terms Polish crisis a "test case" challenging the credibility of Western warnings that USSR not intervene.

JAN. 13. West German government says it will not prevent West German firms from ignoring US sanctions on construction of Soviet pipeline.

JAN. 18. Greece confirms it has reached agreement with USSR to resume servicing Soviet commercial and naval supply ships in Greek shipyards; US regrets Greek agreement 1/21.

JAN. 19–20. US officials meet with NATO allies and Japan to discuss tightening curbs on sale of strategically valuable goods to USSR and Eastern bloc nations.

JAN. 22. US links arms control negotiations with USSR to Soviet involvement in "continuing repression of the Polish people"; Haig informs Soviet Foreign Minister Andrei A. Gromyko in Geneva 1/26 that US will not agree to new strategic arms talks until Polish situation improves.

JAN. 23. France signs 25-year agreement to purchase approximately 280 billion cubic feet of Siberian natural gas per year.

JAN. 26. Haig meets in Geneva with Soviet Foreign Minister Gromyko, who rules out discussion of Polish situation; meeting produces little or no substantive agreement, and afterward Haig asserts that differences over Poland "cast a long dark shadow" over all East-West issues.

JAN. 29. US, UK and Czechoslovakia sign agreement under which West will return 18.4 tons of gold in return for Czech compensation to US and British property owners whose holdings were nationalized by Czech regime after World War II.

JAN. 31. Reagan Administration decides to pay $71 million that Poland owes in interest on loans for US agricultural products, but does not declare Poland in default; decision endorsed by Senate (55-39) 2/10.

FEB. 2. US presents USSR with draft treaty of so-called "zero option" proposed by Reagan 11/18/81; under plan, US would forego deployment of new medium-range missiles in Europe in return for dismantling of Soviet medium-range SS-4, SS-5 and SS-20 missiles.

FEB. 3. Soviet President Leonid I. Brezhnev proposes two-thirds cut in US and Soviet arsenals of medium-range nuclear weapons in Europe by 1990; US officially rejects plan 2/10.

FEB. 5. UK imposes economic and diplomatic sanctions on Poland and USSR to demonstrate concern over imposition of martial law in Poland.

FEB. 9. Conference on Security and Cooperation in Europe (CSCE) reconvenes in Madrid; Haig and EEC foreign ministers assail developments in Poland as violation of 1975 Helsinki accords; Western protest over Poland leads to deadlock, and conference adjourns 3/12.

FEB. 10. Group of French banks announces agreement to lend USSR $140 million more to purchase French-made equipment for Soviet pipeline.

FEB. 14. Supreme NATO commander Gen. Bernard W. Rogers says he will ask NATO defense ministers to set real spending growth rate of 4% per year as goal for Alliance forces from 1983 to 1988.

FEB. 15. Poland fails to meet deadline for paying $75 million in remaining 1981 interest on loans from West; bankers grant extension 3/4, but delay general rescheduling of Polish debt pending receipt of 1981 interest still owed.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

FEB. 19. Pope John Paul II expresses opposition to US sanctions against Poland.

— Austrian banking group announces agreement to lend USSR $596.6 at low interest rates to purchase Austrian industrial products.

FEB. 25. EEC Executive Commission asks EEC member nations to approve $350-million cutback in 1982 imports from USSR as protest against developments in Poland; reduces requested cutback by approximately $140 million 3/11.

MAR. 1. Romania asks Western banks for rescheduling of $3 billion in debts due in 1981–82.

MAR. 11. UK announces plan to buy Trident-2 missile system from US for its nuclear submarine fleet.

MAR. 16. Brezhnev announces USSR is suspending deployment of new nuclear weapons in European Russia, threatens retaliation if US installs new medium-range missiles in Western Europe; Reagan dismisses announcement as "propaganda gesture."

MAR. 19. Under Secretary of State James L. Buckley briefs NATO ambassadors in Brussels on US proposals to raise cost of credit to USSR.

MAR. 24. NATO defense ministers, meeting in Colorado Springs, reject Soviet proposals for freeze on deployment of medium-range nuclear missiles, reaffirm plans to deploy US medium-range missiles in Western Europe starting in 1983.

APR. 5. Reagan announces plans to address UN disarmament conference in June, and urges Brezhnev to do same, setting up opportunity for meeting between the two; Brezhnev rejects idea 4/17, instead proposing October summit in Europe.

APR. 6. Haig says US will neither renounce first use of nuclear weapons nor agree to freeze at present force levels; announcement anticipates 4/7 publication of article in *Foreign Affairs* by 4 former US officials urging study of no-first-use pledge, buildup of NATO conventional forces.

— Western banks, confirming that Poland has paid all 1981 debt interest due, agree to reschedule $2.4 billion of debt principal which Poland was unable to pay in 1981.

APR. 30. Former Secretaries of Defense James R. Schlesinger and Harold Brown dispute Reagan Administration's assertion that USSR has nuclear superiority over US, and warn that such statements could weaken effect of US deterrent force.

MAY 7. Reagan sends Brezhnev letter proposing arms talks by end of June.

MAY 9. In address at Eureka (Ill.) College, Reagan proposes one-third reduction in US and Soviet land- and sea-based ballistic missile warheads, followed by acceptance of "equal ceiling" on total payload of all nuclear missiles.

MAY 10. Poland expels 2 US diplomats for "promoting destabilizing activity"; US ousts 2 Polish diplomats in response 5/15.

MAY 18. Brezhnev affirms readiness to negotiate on strategic arms, but says Reagan's 5/9 plan is one-sided.

MAY 24. Reagan Administration permits expiration of 1972 US-Soviet space cooperation agreement.

MAY 29. Defense Department releases "first complete defense guidance [plan] of this administration," including explicit preparation for possibility of "protracted" nuclear conflict with USSR; Secretary of Defense Caspar W. Weinberger confirms new strategy 6/3, but says it does not mean US sees nuclear war as "winnable."

MAY 30. Spain formally becomes 16th NATO member, first nation to join pact since 1955.

JUNE 1. Independent European commission headed by former Swedish Prime Minister Olof Palme proposes removal of battlefield nuclear weapons from Central Europe by 1983, together with new restrictions on conventional and chemical arms.

JUNE 3. In detailed, point-by-point rejection of Reagan's 5/9 arms cut proposals, official Soviet editorial says plan would "inflict considerable damage on the defense capacity" of USSR.

JUNE 9. Addressing NATO leaders in Bonn, Reagan urges both East and West to agree on ceiling of 700,000 ground troops for each alliance.

JUNE 12. An estimated 500,000–750,000 persons fill New York's Central Park for largest disarmament rally in US history.

JUNE 15. At UN General Assembly (UNGA) special session on disarmament, USSR pledges "not to be the first to use nuclear weapons"; US terms Soviet pledge "unverifiable and unenforceable" 6/16.

JUNE 17. Addressing UNGA disarmament conference, Reagan appeals for peace, but bluntly denounces Soviet "tyranny" around world.

JUNE 18. US extends trade sanctions on materials for Soviet pipeline to include foreign subsidiaries and licensees of US companies; move denounced by British Prime Minister

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Margaret Thatcher 7/1, rejected by France and West Germany 7/22, Italy 7/24, UK 8/2.

JUNE 19. Ending 2 days of talks with Soviet Foreign Minister Gromyko in New York, Haig expresses US hope for "serious talks" on arms questions, but details recent "unprecedented" series of Soviet missile tests which "belie" peaceful Soviet overtures to UNGA disarmament conference.

JUNE 29. Strategic Arms Reduction Talks (START) between US and USSR open in Geneva.

JULY 4. US Ambassador to USSR Arthur A. Hartman says on Soviet television that US will never use conventional or nuclear weapons "except in defense against attack"; USSR denounces statement as "two-faced and hypocritical."

JULY 8. NATO negotiators at Mutual and Balanced Force Reductions talks in Vienna propose plan including 900,000-man ceiling on each side's forces in Central Europe; Warsaw Pact response is unenthusiastic.

JULY 19. Reagan Administration discontinues US-USSR-UK negotiations on comprehensive nuclear test ban, citing verification problems and need to test new weapons.

JULY 31. US reports that Soviet negotiators at Geneva arms talks have offered to make substantial cuts in USSR long-range missile and bomber forces in return for shelving of planned US medium-range missile deployments in Europe and restrictions on all future cruise missile deployments; US calls plan unacceptable, but says neither side has formally rejected proposals of other.

AUG. 2. USSR withdraws credentials of *Newsweek* correspondent Andrew Nagorski, charging him with violating Soviet news standards and travel restrictions; US sends home Soviet journalist in retaliation.

AUG. 6. US House of Representatives in close vote (204-202) backs Administration arms policies against proponents of immediate nuclear freeze; Senate freeze resolution died 6/9 in Foreign Relations Committee (11-4).

AUG. 12. EEC formally protests that Reagan ban on sales for Soviet pipeline constitutes "an unacceptable interference in European Economic Community affairs."

AUG. 26. Reagan Administration orders trade sanctions against 2 companies in France for defying US embargo against delivery of equipment for Soviet pipeline; French government had ordered companies to execute contracts for delivery of equipment 8/23.

AUG. 31. In defiance of US embargo, British longshoremen load Soviet ship with US-designed equipment destined for use on Soviet pipeline; US imposes trade sanctions 9/9 on British firm involved.

SEPT. 1. Treasury Secretary Donald T. Regan says US will sharply reduce scope of sanctions imposed on violators of US embargo on equipment for Soviet pipeline.

SEPT. 10. UK says US is "damaging trans-Atlantic relations" with its insistence that European manufacturers halt shipments of US-designed components for Soviet pipeline.

SEPT. 14. NBC-TV News reports it has evidence suggesting Soviet and Bulgarian intelligence agencies knew about and may have assisted 5/13/81 assassination attempt against Pope.

— Western banks reportedly agree to postpone interest payments owed by Poland as part of an agreement to reschedule $3.4 billion in Polish debt due in 1982.

SEPT. 21. Senate Defense Appropriations Subcommittee votes to reduce US troops in Europe next year from 350,600 to 331,705.

SEPT. 29, OCT. 4. Shultz meets with Soviet Foreign Minister Gromyko in New York, but talks yield little new agreements.

SEPT. 30. Panel of National Academy of Sciences experts concludes that there has been "substantial and serious" leakage of American technology to the Soviet Union, including a "serious portion" that is "damaging to national security," but warns that US clampdown might be "extremely damaging to overall scientific and economic advance."

OCT. 3. NATO foreign ministers meet in Val David, Quebec, to discuss coordination of Western policy on trade with Soviet bloc.

OCT. 5. Reagan Administration imposes export ban on 4 West German firms for ignoring US embargo on delivery of equipment for Soviet pipeline.

OCT. 9. Responding to Polish ban on Solidarity union, Reagan announces suspension of Poland's most-favored-nation trade status; Poland, citing "devastating effect" of Reagan move, asks council of General Agreement on Tariffs and Trade 11/2 to urge repeal of US trade sanctions.

OCT. 15. Reagan announces that US will offer to sell 23 million metric tons of grain to USSR at bilateral talks in Vienna 10/27–10/28.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

OCT. 16. Reagan Administration says it has presented France, West Germany, UK and Italy with a draft compromise aimed at allowing US to lift sanctions involving sale of equipment for Soviet pipeline; after 3 negotiating sessions, State Department says 11/2 that proposal is blocked by allies, especially France.

NOV. 3. Poland and Western banks sign agreement deferring repayment of 95% of Poland's $2.4-billion 1982 debt for 8 years, and calling for payment of interest on the debt in 3 installments.

NOV. 4. Greece and Romania announce plans to call conference of Balkan leaders to consider declaring region a nuclear-weapons-free zone.

NOV. 6. Greece cancels scheduled NATO military exercise on its territory due to disagreements over location of maneuvers.

NOV. 9. CSCE resumes in Madrid as US drops refusal to participate; Western nations demand that Soviet bloc accept free trade unions and right to political self-determination.

NOV. 11. UK Prime Minister Thatcher reveals that British intelligence worker Geoffrey Arthur Prime has confessed to passing secrets to USSR, damaging security interests of US and Atlantic Alliance.

— Reagan contends at press conference that "foreign agents" have helped "instigate" the US nuclear freeze movement.

NOV. 13. Reagan lifts sanctions against US and foreign companies selling equipment for use on Soviet pipeline, says US and its key allies have reached "substantial agreement" on overall economic strategy toward Soviet bloc; France denies accord has been reached, says it is "not party to the agreement."

NOV. 22. Reagan calls for deployment of new MX ballistic missile in "dense pack" cluster, and steps to help prevent accidental nuclear war, including improvement of "hotline" telex link between Washington and Moscow; USSR calls MX basing plan "dangerous and costly" 11/23, but expresses interest in moves aimed at avoiding accidental conflict 12/1.

— New Soviet leader Yuri V. Adroprov tells Soviet Communist Party Central Committee that Soviet Union will seek détente with US, but will not make "preliminary concessions" as a means of improving relations; Reagan Administration welcomes Andropov's interest in easing tensions 11/23.

NOV. 25. Official Soviet press editorial says Reagan MX missile plan violates SALT accords; Reagan Administration rejects assertion 11/26.

DEC. 6. Soviet Defense Minister Marshal Dmitri F. Ustinov says if US deploys MX missile, USSR will deploy new missile "not inferior" to MX; Reagan Administration protests 12/7, accusing USSR of trying to influence MX debate in Congress.

DEC. 7. In setback to Reagan, House of Representatives votes (245-176) to delete $988 million in MX procurement funds for Fiscal Year (FY) '83; Reagan calls vote "grave mistake."

— Danish Parliament freezes Denmark's contributions to deployment of new US missiles in Western Europe; Danish Prime Minister Poul Schlüter assures Reagan 12/13 his country will support deployment despite parliamentary vote.

— Romania signs agreement with major creditors in London to spread its 1981 and 1982 debt payments over 6½-year period with 3 years' grace.

DEC. 8. Gen. John W. Vessey Jr., chairman of Joint Chiefs of Staff, discloses that 3 of 5 Joint Chiefs had recommended that Reagan delay decision on MX basing system pending resolution of "technical uncertainties."

— House of Representatives votes (340-68) to retain $2.5 billion for FY '83 research and development on MX.

DEC. 9. UNGA approves 3 nonbinding resolutions (111-1[US]-35) (124-2[US]-19) (114-4[US]-26) calling for comprehensive nuclear test ban; on 12/13 adopts 2 companion resolutions (122-16[US]-6) (119-17[US]-5) calling on major powers to freeze output and emplacement of nuclear weapons.

DEC. 11. US reveals Soviet offer at talks in Geneva to reduce Soviet intermediate-range missile force by more than half if US agrees to forego planned missile deployments in Europe.

DEC. 13. Shultz discusses developments in Poland with Pope at Vatican; says Polish regime's recent moves to relax martial law restrictions do not appear to meet West's terms for ending sanctions.

— Defense Department officials warn that US may impose trade sanctions against Austria if it does not stop transfer of militarily sensitive products and technology to Soviet bloc.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

DEC. 14. Reagan agrees to make production of MX missile contingent on congressional ratification of deployment plan; Senate adopts compromise measure on that basis, 12/17.
— US and France announce agreement on specific projects for coordinating allied strategy on economic sanctions with Soviet bloc.
DEC. 17. Reagan announces he will appoint bipartisan commission to study basing options for MX before making new recommendations to Congress.
DEC. 21. Andropov details proposal under which USSR will reduce its medium-range missiles in Europe to match combined arsenals of UK and France if US will abandon plans to deploy 572 new medium-range missiles beginning in late 1983; US, UK and France reject proposal as ratifying Soviet superiority.
DEC. 23. Department of Agriculture says sales for seventh year of grain agreement between US and USSR, ending 9/30/83, now total 4,974,500 metric tons.
DEC. 31. Poland officially lifts martial law; US says Polish move is "in name only and certainly does not meet our conditions for the lifting of sanctions."

MIDDLE EAST AND SOUTH ASIA

GENERAL

JAN. 14. French Foreign Minister Claude Cheysson reiterates pledge that France will rebuild Iraqi nuclear reactor destroyed by Israel 6/7/81.
JAN. 19. Turkey and USSR sign $600-million trade agreement for 1982.
JAN. 26. Defense ministers of Saudi Arabia, Kuwait, Bahrain, United Arab Emirates, Qatar and Oman agree in Riyadh on strategy for collective security, agree to allocate $30.6 billion for defense in 1982.
JAN. 28. Turkish Consul General Kemal Arikan is shot to death in Los Angeles; Justice Commandos of Armenian Genocide claim responsibility.
JAN. 30. Kuwaiti press reports say Syrian President Hafez al-Assad successfully crushed military coup attempt in early January.
FEB. 10. Syrian troops seal off city of Hama due to increasing anti-government violence; reports from Damascus 2/18 indicate thousands killed as military forces level large areas of Hama in battle with Muslim fundamentalist rebels.
FEB. 13. Secretary of Defense Caspar W. Weinberger announces support for increase in US arms sales to Jordan; Israel protests 2/15; Jordan's King Hussein announces intention 2/28 to ask for advanced US weapons.
FEB. 26. Reagan Administration removes Iraq from list of "terrorist" nations, easing trade restrictions.
MAR. 1. Concluding fifth peace mission to area, UN mediator Olof Palme reports that he has "exhausted all possibilities to mediate in the war between Iran and Iraq."
MAR. 3. Jordan announces departure of volunteer military contingent to join Iraq in war against Iran.
MAR. 4. Reagan Administration eases controls on aircraft sales to Syria and Southern Yemen.
MAR. 7. Syrian President Assad, in nationwide address, accuses US of supporting Muslim rebels in effort to overthrow him.
APR. 10. Iran confirms reports that former Foreign Minister Sadegh Ghotbzadeh has been arrested for plotting to assassinate Iranian leader Khomeini; Ghotbzadeh is tried 9/14, confesses assassination plot, and is executed by firing squad 9/15.
APR. 12. Iraqi President Saddam Hussein says his country is prepared to withdraw remaining troops from Iran if Iran will guarantee borders and end fighting; Iran rejects offer.
APR. 15. Egypt executes 5 Muslim militants convicted of assassinating President Anwar el-Sadat 10/6/81.
APR. 30. Reagan Administration offers to sell jet fighters and antiaircraft missiles to Jordan.
MAY 4. Honorary Turkish Consul General Orhan Gunduz is slain in Somerville, Mass.; Justice Commandos of Armenian Genocide claim credit for killing.
MAY 8–11. Omani Sultan Qabus bin Said holds talks with Egyptian President Hosni Mubarak in Cairo about possible Egyptian reconciliation with other Arab states.
MAY 19. Israeli Prime Minister Menachem Begin narrowly survives Knesset vote (57-58) on no-confidence motion.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

MAY 22. Bahrain Supreme Court convicts 73 Shi'ite Muslims of charges relating to Iranian-inspired coup attempt in 12/81.

MAY 24. Iran announces recapture of major port city Khorramshahr, claims surrender of 30,000 Iraqi troops.

MAY 26. Israeli Defense Minister Ariel Sharon acknowledges that Israel has supplied arms to Iran in war with Iraq.

JUNE 9. Iraq repeats offer to withdraw from Iran, announces unilateral cease-fire 6/10; Iran rejects offer 6/11.

JUNE 13. Saudi Arabian King Khalid dies in Taif; is succeeded by half-brother Crown Prince Fahd.

JUNE 27. Iranian regime reports crushing of attempted military coup.

JUNE 30. US Senate, in voice vote, approves resolution condemning Iran for "discrimination and brutal executions" directed against Baha'i religion.

AUG. 7. Armenian terrorists attack Ankara, Turkey, airport, killing 9 people, wounding more than 70.

OCT. 4. Jordan's King Hussein visits Baghdad, appeals for Arab nations to stand by Iraq.

OCT. 23. Islamic Conference peace commission headed by Senegal Foreign Minister Mustafa Niasse begins new talks with Iranian leaders in Teheran in attempt to end Iran-Iraq war.

NOV. 7. Turkish voters overwhelmingly endorse new constitution, elect Gen. Kenan Evren to new 7-year term as president; Evren sworn in 11/12.

NOV. 8. Iranian President Ali Khamenei says Iranian forces will "proceed toward Baghdad whenever they deem it necessary," and announces Iranian demand for roughly $150 billion in reparations from Iraq.

NOV. 16. Iraqi President Hussein says Iraq's treaty of friendship and cooperation with USSR "has not worked" during war with Iran.

DEC. 13. An estimated 2,800 people are killed and over 700,000 are driven from their homes in major earthquake in Yemen Arab Republic (North Yemen).

DEC. 18. Defense Department officials say North Korea has become primary supplier of arms to Iran in war with Iraq.

THE ARAB-ISRAELI CONFLICT

JAN. 12–13. Secretary of State Alexander M. Haig, Jr. visits Cairo in effort to end impasse in Israeli-Egyptian negotiations on Palestinian autonomy in West Bank and Gaza; meets with Israeli Prime Minister Menachem Begin 1/14–1/18 in Jerusalem.

JAN. 19. Responding to US fears, Begin assures President Ronald Reagan that Israel will not attack Lebanon unless provoked by Palestinians or Syria.

JAN. 20. US vetoes UN Security Council (UNSC) resolution (9-1[US]-5) calling for punishment of Israel for annexing Golan Heights.

JAN. 28. Returning to Washington after second round of trips to Jerusalem and Cairo 1/27–1/28, Haig rules out likelihood of early Israeli-Egyptian accord on Palestinian self-rule.

JAN. 31. Israel agrees to accept military units from UK, France, Italy and Netherlands in Sinai peacekeeping force.

FEB. 3–4. UN General Assembly (UNGA) adopts nonbinding resolution (86-21[US]-34) urging isolation of Israel for annexing Golan Heights.

FEB. 25. UNSC votes (13[US]-0-2) to increase its peacekeeping forces in Lebanon by 1,000 troops, boosting force level to total of 6,000.

FEB. 28. Israeli Cabinet announces that Egyptian President Hosni Mubarak will not be invited to Israel if he refuses to visit Jerusalem; Begin says 3/2 he will not visit Egypt until Mubarak agrees to come to Jerusalem.

MAR. 15. Mubarak postpones planned trip to Israel because of Israeli stipulation that he visit Jerusalem.

MAR. 17. US sends 670 soldiers to join 11-nation peacekeeping force that is to take up positions in Sinai following Israeli withdrawal 4/25; US officially joins force 3/26.

MAR. 23. Following tie (58-58) in Knesset vote of confidence over his West Bank policies, Begin submits his government's resignation; Israeli Cabinet (12-6) rejects resignation.

APR. 2. US vetoes UNSC resolution (13-1[US]-1) demanding that Israel restore Arab authorities removed from office in 3 West Bank towns.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

APR. 9. US officials in Washington, noting Israeli military buildup near Lebanese border, express serious concern over possible Israeli assault. Lebanese President Elias Sarkis appeals to US and USSR 4/10 to help prevent Israeli invasion.

APR. 11. American-born Israeli soldier kills 2 Arabs and wounds many more in shooting spree at Dome of the Rock in Jerusalem; the attack sparks widespread demonstrations in Arab countries, including 1-day protest strike 4/13.

APR. 20. Reagan sends letter to Begin promising to help maintain Israeli military superiority over Arabs in return for Israeli withdrawal from Sinai.

— US vetoes UNSC resolution (14-1[US]-0) condemning Israel for Dome of the Rock killings.

APR. 21. Israeli warplanes strike Palestine Liberation Organization (PLO) positions south of Beirut after Israeli soldier is killed in southern Lebanon; US urges all parties to avoid jeopardizing 7/24/81 cease-fire on Israeli-Lebanese border.

APR. 25. Fulfilling terms of 1979 Egyptian-Israeli peace treaty, Israel returns to Egypt final portions of the Sinai peninsula; Mubarak praises Israel's "enthusiasm for peace" 4/26.

APR. 28. UNGA (86-20[US]-36) condemns Israel for repression of Palestinian Arabs and rebukes US for supporting Israel.

MAY 9. Israeli jets raid PLO bases near Beirut; PLO forces respond by shelling settlements in northern Israel. Israel claims terrorist organizations have repeatedly violated 1981 ceasefire agreement.

JUNE 1. Begin expresses willingness to attend US-Egyptian-Israeli summit in Washington; Mubarak rejects idea 6/4.

JUNE 3. Israeli Ambassador to UK Shlomo Argov is shot and critically wounded in London; in retaliation, Israeli jets bomb PLO targets in Lebanon, killing 45 and wounding over 150; Palestinians again respond with artillery attacks against northern Israel.

JUNE 5. Israel begins heavy bombing and shelling of Palestinian guerrilla strongholds; UNSC, meeting in emergency session at Lebanese request, issues unanimous call for ceasefire.

JUNE 6. Massed Israeli tanks and infantry cross border into Lebanon, supported by large air strikes and sea landings; Israeli forces advance to within sight of Beirut by 6/9.

— UNSC unanimously demands Israeli withdrawal; at Versailles Economic Summit, leaders of 7 major industrial democracies call for "immediate and simultaneous cessation of violence" by all sides in Lebanon.

JUNE 7. US envoy Philip C. Habib travels to Israel to begin discussions aimed at ending hostilities in Lebanon.

JUNE 8. US vetoes UNSC resolution (14-1[US]-0) threatening Israel with sanctions for refusing to halt invasion of Lebanon.

— Arab leaders condemn invasion of Lebanon and call for Muslim nations to unite to confront Israel.

— Begin asks Syrian President Hafez el-Assad to restrain Syrian troops in Lebanon from joining Palestinians in fight against Israel.

JUNE 9. In massive air battle involving over 100 warplanes, Israeli jets destroy Syrian surface-to-air missile system in Bekaa Valley of eastern Lebanon; Israel claims 22 Syrian planes lost, says all 90 or more of its planes returned safely; Syria admits 16 losses, claims 19 Israeli jets downed.

— Habib arrives in Damascus for talks with Syrian leaders.

— Reagan announces immediate provision of US humanitarian assistance to victims of Lebanon conflict.

JUNE 10. US officials in Bonn disclose that Reagan has requested Israel to halt hostilities in Lebanon.

JUNE 11. Israel and Syria announce cease-fire independent of PLO; Haig praises agreement as a "very positive step."

JUNE 12. Israel and PLO announce cease-fire in Lebanon; truce breaks down 6/13.

JUNE 13. Haig says US will seek withdrawal of Israeli forces from Lebanon as part of a long-term solution in which all foreign troops would be pulled out of Lebanese territory.

JUNE 14. Israeli troops cut off west Beirut, trapping PLO military and political leadership.

— Citing Israeli invasion of Lebanon, Egypt suspends talks with Israel on Palestinian self-rule.

— Habib arrives in Beirut for talks with Lebanese leaders.

— USSR warns Israel that military developments in Lebanon "cannot help affecting the interests of the USSR."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

JUNE 15. Syria rejects Israeli demand that it withdraw its troops from vicinity of Beirut.

JUNE 16. Reagan Administration officials say Israel has assured US that it will not seize Beirut; US asks Israel for 2-day cease-fire in Lebanon to allow time for Lebanon to assert control over PLO forces.

JUNE 17. Habib meets Lebanese leaders in effort to keep alive Israeli-PLO and Israeli-Syrian cease-fires.

JUNE 18. Begin, addressing UN Second Special Session on Disarmament in New York, calls wars of self-defense "the noblest concept of mankind"; in protest over Lebanon invasion, more than two-thirds of UN delegations boycott or walk out on Begin speech.

— UNSC adopts resolution (13[US]-0-2) extending present mandate of UN Interim Force in Lebanon (UNIFIL) until 8/19/82.

JUNE 19. UNSC unanimously adopts resolution expressing deep concern at "the suffering of the Lebanese and Palestinian civilian populations."

— China promises PLO $1 million in emergency aid to offset losses suffered in Lebanon.

JUNE 20. Lebanese Council of National Salvation, named by President Sarkis, meets for the first time.

— Syria turns down Lebanese plea for withdrawal of Syrian forces from Beirut.

JUNE 20–22. Begin, meeting with Reagan and other US officials in Washington, agrees on withdrawal of all foreign troops from Lebanon.

JUNE 22. Responding to US request, Israel announces cease-fire after day of serious clashes with Syria; truce collapses 6/23.

JUNE 23–24. Congress approves $50 million in emergency aid for Lebanon.

JUNE 24. US embassy in Beirut closed; hundreds of American, European and Lebanese are evacuated by US Sixth Fleet.

JUNE 25. Israel mounts heaviest barrage of west Beirut since 6/6, agrees on new cease-fire.

JUNE 26. US vetoes UNSC resolution (14-1[US]-0) demanding limited Israeli and Palestinian withdrawal from Beirut.

JUNE 26–27. Habib meets Sarkis and other Lebanese leaders in effort to secure peace in west Beirut.

JUNE 27. US warns Israel against new attacks on Beirut.

— Israel announces peace plan calling for Lebanese Army to enter west Beirut, and promising safe passage to Palestinians who lay down their arms and leave the country.

— Arab League foreign ministers meeting in Tunis fail to agree on a joint reaction to Israel's invasion of Lebanon.

JULY 2. France and Egypt seek UNSC resolution designed to preserve PLO as a disarmed political force in Middle East; Israel on 7/4 rejects any proposal leaving PLO with a political presence in Lebanon.

JULY 4. UNSC unanimously approves resolution urging Israel to permit shipment of vital supplies into west Beirut.

JULY 6. Reagan agrees "in principle to contribute a small contingent" of US troops as part of a multinational force for "temporary peacekeeping" in Beirut.

— PLO Chairman Yassir Arafat spurns suggestions that the PLO evacuate Beirut under US protection, but does not reject involvement of US troops in peacekeeping force.

JULY 7. USSR President Leonid I. Brezhnev warns Reagan against sending US troops to Beirut; US announces 7/8 that Brezhnev's letter will not prompt reconsideration of US offer.

JULY 9. Syria rejects plan to transfer PLO forces to Syria; reaffirms position 7/15 despite US appeals to reconsider.

JULY 10. France agrees to send troops as part of Beirut peacekeeping force.

JULY 11. PLO announces in Paris that it is willing to recognize Israel "on a reciprocal basis," and calls on US to recognize PLO and to deal with it directly.

JULY 16. US suspends sale of cluster artillery shells to Israel pending review of their use in Lebanon; Israel on 7/18 acknowledges employment of US-made cluster bombs, but asserts that use was consistent with US-Israeli agreements; Reagan Administration extends ban indefinitely 7/27.

JULY 20. Brezhnev endorses UN force to end west Beirut impasse, but restates Soviet opposition to participation of US troops.

JULY 27. Despite expiration of its Arab League mandate to maintain peacekeeping forces in Lebanon, Syria announces it will not withdraw as long as Beirut is besieged by Israel.

JULY 28. Cease-fire restored after Israeli planes raid west Beirut for seventh straight

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

day; US voices strong regret over heavy civilian casualties caused by Israeli bombardment.

JULY 29. Arab League announces plan calling for PLO to leave west Beirut after receiving guarantees for safe passage out of Lebanon and for future security of Palestinian refugees remaining there.

— UNSC adopts resolution (14-0-1[US]) demanding that Israel immediately lift blockade of west Beirut to permit food and other supplies to reach beseiged area.

JULY 30. Israeli forces attack west Beirut from land, sea and air; Habib arranges new cease-fire.

— PLO offers detailed plan for withdrawal of its 6,000 troops in west Beirut to Syria, Jordan and Egypt over 1-month period.

AUG. 1. Truce collapses as Israeli forces mount fiercest bombardment of Beirut since beginning of invasion; Habib again negotiates cease-fire.

AUG. 4. Israeli armored units, under cover of heavy artillery fire, thrust into west Beirut; UNSC adopts resolution (14-0-1[US]) calling for immediate cease-fire, withdrawal of Israeli forces to 8/1 positions, and censure of Israel for failing to comply with earlier resolutions.

— In sternly worded statement, Reagan appeals to Begin to observe truce in Beirut; Begin asserts that Israel will continue siege as it sees fit, regardless of international criticism.

AUG. 5. Israel rejects troop pullback and presence of UN observers in west Beirut as long as PLO forces remain in Lebanon.

AUG. 6. PLO reported to accept all major points regarding withdrawal from Beirut as negotiated by Habib.

— US vetoes UNSC draft resolution (11-1[US]-3) condemning Israel for ignoring previous UNSC resolutions, and calling for suspension of all military aid to Israel.

AUG. 9. US formally presents Israel with plan calling for multinational force to assist in withdrawal of PLO forces from west Beirut; Israel accepts plan "in principle," but insists on departure of PLO before arrival of peacekeeping troops.

AUG. 12. Israeli warplanes bombard west Beirut for 11 hours; Reagan, in blunt telephone call to Begin, expresses US "outrage" and demands end to attacks; Israeli Cabinet votes to end raids, and Begin calls Reagan to report that "a complete cease-fire" has been ordered.

— UNSC unanimously adopts resolution demanding that Israel permit UN officers to monitor cease-fire violations in Beirut.

— Negotiations on PLO withdrawal resume as PLO leaders send Habib list of guerrillas to leave Beirut for destinations in Algeria, Tunisia, Jordan, Iraq, North Yemen, South Yemen and Sudan.

AUG. 14. Syria indicates willingness to withdraw from Beirut its troops and PLO guerrillas under its command.

AUG. 15. Israeli Cabinet announces acceptance of plan presented by Habib for deployment of multinational peacekeeping force in Lebanon; Lebanon approves plan 8/18.

AUG. 19. UNGA overwhelmingly adopts resolution (120-2[US]-20) demanding establishment of Palestinian state and recommending sanctions against Israel.

— Israel approves plan for withdrawal of Palestinian and Syrian forces from west Beirut.

AUG. 20. Reagan announces that agreement has been reached on west Beirut plan, orders 800 US marines to participate in peacekeeping force; marines land in Lebanon 8/25.

AUG. 21. 350 French paratroopers arrive in west Beirut as first element of peacekeeping force; first group of 397 PLO fighters leaves Lebanon by ship for Cyprus.

AUG. 23. Christian Phalangist leader Bashir Gemayel is elected president of Lebanon; most Muslim members of Parliament boycott election.

AUG. 30. Arafat departs Beirut for Greece.

SEPT. 1. In major address on Middle East, Reagan urges "self-government by the Palestinians of the West Bank and Gaza in association with Jordan," demands "freeze" on Israeli settlements in occupied territories, and proposes an "undivided" Jerusalem with final status to be decided through negotiation.

— Last of nearly 15,000 Palestinian and Syrian troops leave west Beirut; Lebanese forces take full control of area 9/2.

SEPT. 2. Israeli Cabinet unanimously rejects Reagan's 9/1 proposals; plan welcomed by Jordan 9/2 and Egypt 9/4.

SEPT. 5. Israel allocates money for 3 new West Bank settlements, approves plans for 7 more; Reagan Administration denounces move.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

SEPT. 8. American B'nai B'rith organization terms Reagan Middle East plan "worthy of consideration."

SEPT. 9. Representatives at Arab League summit in Fez, Morocco, approve 8-point plan calling for Israeli return to pre-1967 borders, creation of independent Palestinian state, and UNSC guarantees of peace among "all states of the region"; summit resolution "strongly condemns Israeli aggression against Lebanon."

SEPT. 10. Secretary of State George P. Shultz sees chance of "breakthrough" in Arab League proposals, although they are "at considerable variance" with Reagan Middle East plan.

— Israel rejects Arab League plan.

— Multinational peacekeeping force begins withdrawal from Beirut.

SEPT. 13. Israeli leaders order air strikes against Syrian and PLO positions in central and eastern Lebanon, citing PLO attacks from Syrian-held territory.

SEPT. 14. Bomb blast kills Lebanese President Gemayel at political party headquarters; US issues statement deploring assassination and urging Israel to "do nothing to increase tensions" in the area.

— Former Secretary of State Haig criticizes Reagan Middle East peace plan, terming proposal for freeze on West Bank settlements "a very serious mistake."

SEPT. 15. Israeli troops and tanks enter west Beirut in force; US endorses plea by Lebanese government for immediate Israeli withdrawal 9/16.

— Arafat meets with Pope John Paul II at Vatican; Israel terms meeting "revolting."

— Brezhnev presents 6-point summary of Soviet position on Middle East settlement, saying it is "not at variance" with 9/9 Arab League peace plan.

SEPT. 16. Arafat, in Rome, demands that US, French and Italian peacekeeping forces return to Beirut to protect inhabitants against Israel.

SEPT. 17. UNSC unanimously adopts resolution condemning Israeli incursion into Beirut and demanding immediate withdrawal.

SEPT. 18. Reports emerge that hundreds of Palestinians have been killed in southwest Beirut refugee camps by Lebanese Christian militiamen allowed into area by Israeli authorities 9/15–9/18; Reagan expresses "outrage and revulsion," demands immediate withdrawal of Israeli forces; Israel denies responsibility for deaths.

SEPT. 19. UNSC unanimously condemns "the criminal massacre of Palestinian civilians in Beirut," and authorizes increase in UN observers in city from 10 to 50.

SEPT. 20. Lebanon requests US, France and Italy to return peacekeeping forces to Beirut; all agree, but Reagan stipulates that Israel must give permission and agree to pull back its forces in area; Israel agrees 9/21.

— Brezhnev sends message to Reagan urging joint action "with a view to bridling Israel and making it comply with Council decisions"; compares Beirut massacres to "atrocities of Hitler's Nazis."

— Egypt calls its ambassador home from Israel as "expression of resentment" over Beirut massacres.

— Amin Gemayel, brother of slain Lebanese leader Bashir Gemayel, is elected president of Lebanon; sworn in 9/23 for 6-year term.

SEPT. 21. At emergency session of Arab League in Tunis, PLO asks for anti-US measures in return for what it says was US responsibility for 9/15–9/18 massacres in Beirut.

SEPT. 22. Israeli Defense Minister Ariel Sharon admits to Knesset that Israel requested and helped plan entry of Lebanese Phalangist forces into Beirut camps where massacres took place.

SEPT. 24. Yielding to popular pressure, Begin requests judicial commission of inquiry to investigate Israeli involvement in Beirut massacres; panel formally established 9/28.

— UNGA adopts resolution (147-2[US]-0) condemning massacres and calling for UNSC investigation.

SEPT. 25. Several hundred thousand Israelis demonstrate in Tel Aviv demanding resignations of Begin and Sharon over question of Israeli role in Beirut massacres.

SEPT. 26. US says Israeli failure to withdraw from Beirut poses major obstacle to return of peacekeeping forces.

SEPT. 27. French and Italian troops take up security duties in Beirut.

SEPT. 28. Israeli Army completes withdrawal from central areas of Beirut; US marines land to join peacekeeping force 9/29.

SEPT. 30. Shultz tells UNGA that Israel must yield territory to gain peace, and that Palestinians have "undeniable claim" to identifiable place.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

OCT. 8. US, expressing concern over widespread arrests in Beirut area, requests Lebanon to respect Palestinian rights; Italy, expressing similar concerns, urges strengthened role for peacekeeping forces 10/8.

OCT. 9–10. Arafat meets Jordan's King Hussein in Amman to discuss Arab and US proposals for resolving Palestinian problem; says Reagan Middle East plan insufficient because it does not recognize PLO as "sole legitimate representative of the Palestinians."

OCT. 10. Israel announces that its troops will not withdraw from Lebanon until Beirut government signs security agreement with Israel and all Israeli prisoners are returned.

OCT. 11. Official Israeli count lists 368 Israelis dead, 2,383 wounded in Lebanon war.

— Knesset approves (56-50) Begin stand on limited autonomy for West Bank Palestinians.

OCT. 23. Moroccan King Hassan II, in Washington, says Arab nations will recognize Israel, but only after it withdraws from territory occupied since 1967 War.

OCT. 25. US says Lebanon and Israel have agreed to hold negotiations, with US participation, on Israeli withdrawal from Lebanon.

OCT. 26. UNGA adopts motion (75[US]-9-31) to cut off Iranian-led debate on possible expulsion of Israel.

NOV. 1. Responding to requests from Lebanon, Reagan agrees to expand US peacekeeping duties into East Beirut; patrols begin 11/4.

NOV. 4. US sharply criticizes reaffirmed Israeli plans for new settlements in occupied territories.

NOV. 8. Begin tells Israeli commission investigating Beirut massacres he was not informed of Israeli army's plans to send Lebanese militiamen into camps where killings occurred.

NOV. 9. Egyptian press reports say PLO has set 2 conditions for "mutual and simultaneous" PLO-Israeli recognition: that US pledge to establish talks with PLO, and that US guarantee PLO role equal to that of other Arab parties in Middle East peace negotiations.

NOV. 24. Israeli commission investigating Beirut massacres notifies Begin, Sharon and 7 other senior Israeli officials that they could possibly "be harmed" by its findings.

NOV. 26. PLO leaders in Damascus denounce Reagan proposal for Palestinian self-rule in occupied territories in association with Jordan.

NOV. 29. Lebanon asks US, France and Italy to increase size of peacekeeping contingents in Beirut area; US agrees 12/1 to double its forces, but conditions increase on progress in talks on withdrawal of Israeli, Syrian and PLO troops from Lebanon.

DEC. 2. Lebanese count shows 19,085 total dead in war, including 6,775 in Beirut; Israel rejects figures as inflated.

— US announces agreement to rebuild Lebanese army over next year at initial cost of $85 million.

DEC. 5. Reagan Administration, expressing concern over failure to reach withdrawal accord, says presence of international peacekeeping forces in Lebanon will likely be extended well into 1983.

DEC. 13. Israeli officials say Israel is withholding information from US about military lessons of Lebanon invasion pending US agreement to Israeli controls over sharing of information with US allies.

DEC. 14. Jordan and PLO agree to "special and distinctive relationship" between Jordan and a future Palestinian entity, but leave details of projected association undecided.

DEC.18. Reagan, urging support for withdrawal negotiations, calls on Israel, Syria and PLO to remove their "armies of occupation" from Lebanon.

DEC. 19. Israel drops its insistence on Jerusalem as site for talks on security arrangements with Lebanon; Lebanon, in response, expresses readiness for immediate negotiations.

DEC. 20. Jordan's King Hussein, in US, expresses sympathy with Reagan peace initiative, but says time is not yet ripe for Jordanian participation in Egyptian-Israeli talks on Palestinian self-rule.

— UK agrees to send 80-man contingent to join peacekeeping forces in Lebanon.

DEC. 28. Lebanese and Israeli negotiators in Khalde, Lebanon, open talks on withdrawal of foreign troops from Lebanon.

SOUTH ASIA

JAN. 12. President Mohammad Zia ul-Haq lifts formal press censorship in Pakistan.

— Amnesty International issues report charging Pakistani regime with torture, imprisonment and other human rights abuses.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

JAN. 25. Central Intelligence Agency releases report predicting that Pakistan will be able to detonate a nuclear device within 3 years; President Zia says 1/26 his country has neither intention nor capacity to produce nuclear arms.

JAN. 31. Pakistani Foreign Minister Agha Shahi meets in New Delhi with Indian Foreign Minister Chinmoy Gharekhan to discuss nonaggression pact; Indian Prime Minister Indira Gandhi offers to sign such a treaty, pledges 1/30 that India will never attack Pakistan.

FEB. 26–27. Pakistani police arrest more than 1,400 people thought to belong to Al Zulfikar organization led by son of former Prime Minister Zulfikar Ali Bhutto, and charge them with subversion.

MAR. 8. Reagan Administration asserts that Soviet forces have killed at least 3,000 people with toxin and chemical weapons in Afghanistan.

MAR. 24. Army leader Lt. Gen. Mohammed Ershad overthrows civilian government of President Abdus Sattar in Bangladesh, suspends constitution, proclaims martial law; Ershad declares friendship toward US 4/7, terming USSR "very dangerous."

MAR. 25. Demonstrators attack and damage US consulate in Bombay.

APR. 3. Pakistani President Zia says he rejected US offer last year to station American troops and arms in Pakistan.

APR. 15. Reagan Administration asks Congress to approve first $275 million of planned 5-year, $3.2-billion arms sale package to help Pakistan resist Soviet pressure from Afghanistan.

APR. 17. UN special envoy Diego Cordovés holds talks with Afghan officials in Kabul aimed at bringing Afghanistan, Iran and Pakistan together in hope of reaching negotiated solution to Afghan conflict; talks continue in Geneva 6/16 with participation of Pakistan and Iran.

— France announces that India will buy at least 40 and possibly 150 Mirage warplanes in deal thought to reduce Indian military dependence on USSR; India confirms purchase 10/18.

JUNE 16. European Parliament calls on European Economic Community (EEC) to recognize Afghan resistance as "legitimate national liberation movement," and to reduce Afghan representation in EEC countries to "minimum level."

JULY 12. Indian legislators choose Gandhi nominee Zail Singh as nation's president; sworn in 7/25.

JULY 23. Reagan Administration officials announce that US and USSR have concluded unpublicized round of talks in Moscow regarding possible political solution in Afghanistan.

— State Department says US is willing to sell military equipment to India, including F-16 fighter aircraft.

JULY 26–31. Indian Prime Minister Gandhi visits US; reaches agreement with President Ronald Reagan 7/29 allowing France to supply uranium to India's US-built Tarapur nuclear power plant, but prohibiting India from reprocessing spent fuel without US permission.

JULY 30. Sri Lanka imposes state of emergency to curb violence between Sinhalese and minority Muslims.

SEPT. 20–26. Indian Prime Minister Gandhi visits USSR; joint communique released 9/26 stresses mutual economic development.

OCT. 21. Sri Lankan President Junius R. Jayewardene wins new 6-year term in national elections.

NOV. 1. Pakistani President Zia and Indian Prime Minister Gandhi agree in New Delhi to establish permanent joint commission to work out problems between their nations, and to begin official discussions toward a formal nonaggression treaty.

NOV. 2 or 3. An estimated 300–400 Russian troops and 500–800 Afghans are reportedly killed as fuel truck explodes in Afghan mountain tunnel; Western sources 11/9 suspect guerrilla sabotage; USSR on 11/18 admits "road accident" with "loss of life," but denies reports of sabotage.

NOV. 21. Pakistani President Zia says at least 2.8 million Afghan refugees have been driven into Pakistan by Soviet military intervention in Afghanistan.

NOV. 27. After prolonged negotiations over control safeguards, France agrees to supply enriched uranium for Indian Tarapur nuclear plant.

NOV. 29. Pakistan refuses to accept delivery of 6 US-made F-16 warplanes because they lack the most advanced US electronic warfare systems; dispute resolved during Zia visit 12/6–12/10.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

— UN General Assembly approves resolution (114[US]-21-13) renewing call for "immediate withdrawal of foreign forces from Afghanistan" and insisting on the right of Afghans "to determine their own form of government."

DEC. 2. Sri Lanka asks recall of US diplomat in Colombo for statements regarding country's president; US ousts Sri Lankan diplomat in response 12/8.

DEC. 6–10. Pakistani President Zia visits US; vigorously denies allegations of human rights abuses, asserts his nation is not interested in acquiring nuclear weapons.

DEC. 19. Reports from Pakistan indicate that soldiers from Cuba, Bulgaria, Czechoslovakia, Vietnam and East Germany are fighting alongside Soviet troops in Afghanistan.

DEC. 22. US estimates that USSR has suffered 10,000–15,000 casualties in Afghanistan since 1979 invasion, says USSR has increased forces in that country from 85,000 last year to 105,000.

DEC. 24. India and Pakistan sign 5-year pact to strengthen economic and cultural ties, but fail to reach accord on proposed nonaggression and friendship treaties.

EAST ASIA AND THE PACIFIC

NORTHEAST ASIA

JAN. 1. President Chun Doo-hwan of the Republic of Korea (South Korea) orders lifting of curfew restrictions in force since the end of World War II.

JAN. 22. Chun proposes exchange of envoys with Democratic People's Republic of Korea (North Korea) as first step toward eventual reunification; proposal rejected by North Korea 1/26.

JAN. 30. Japan approves plan for easing foreign access to Japanese markets, including elimination or reduction of 67 nontariff barriers to trade.

FEB. 1. South Korea urges North Korea to open its border to reunite families, start cultural exchanges and share resources.

FEB. 10. North Korea proposes conference of 100 political figures representing North and South Korea to discuss reunification.

MAR. 18. US Cultural Center in Pusan, South Korea, is burned by unknown arsonists.

MAR. 26–31. Secretary of Defense Caspar W. Weinberger visits Japan and South Korea; asks Japanese leaders to increase military spending, urges Korean government to protect human rights.

APR. 22–MAY 5. Vice President George Bush visits Japan, Singapore, Australia and New Zealand.

JULY 23. Japan announces plans for 60% increase in military spending from 1983 to 1987.

AUG. 28. North Korea claims that US Pfc. Joseph T. White has crossed demilitarized zone into North Korean territory and asked for political asylum; UN command in South Korea requests face-to-face meeting with White 8/30; North Korea refuses request 8/31.

SEPT. 17–22. British Prime Minister Margaret Thatcher visits Japan, urges Japan to ease import restrictions, play military role commensurate with its industrial strength.

SEPT. 30. Defense Department announces agreement with Japan for stationing of up to 50 US F-16 warplanes in northern Japan beginning in 1985.

OCT. 12. Japanese Prime Minister Zenko Suzuki announces he will resign; replaced by Yasuhiro Nakasone as Liberal Democratic Party head 11/25, and as prime minister 11/27.

DEC. 21. Japan announces Soviet decision to release 29 Japanese fishermen held by USSR.

— US asks North Korea to help account for nearly 400 American soldiers still missing since Korean War.

DEC. 23. South Korean opposition leader Kim Dae Jung leaves Seoul for medical treatment in US after serving two and a half years of 20-year prison sentence for sedition; expresses gratitude 12/26 for US welcome, but criticizes US silence on repression in South Korea.

DEC. 24. South Korea releases 1,200 prisoners, including 48 political detainees; US welcomes move as "further contribution to political harmony."

DEC. 26. Japanese Prime Minister Nakasone and Cabinet approve draft budget calling for 5.1% increase in country's military spending; raise figure 12/30 to 6.5%.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

China and Taiwan

JAN. 11. US approves sale of additional F-5E fighter aircraft to Republic of China (ROC), but rules out sale of more sophisticated warplanes; People's Republic of China (PRC) protests decision 1/12.

JAN. 31. PRC declares willingness to discuss time schedule for ending US military sales to Taiwan.

FEB. 12. New China News Agency reports that US and PRC are setting up experimental earthquake prediction station in south China.

FEB. 14. Soviet Prime Minister Nikolai Tikhonov hints that USSR might welcome closer ties with PRC.

FEB. 16. PRC declares nearly 58,000 square miles of its offshore waters open for eventual oil drilling, and invites 46 foreign companies to bid for exploration and production rights.

MAR. 2. PRC People's Congress approves major streamlining of government bureaucracy, including reduction in administrative personnel from 600,000 to 200,000, and consolidation of ministries, commissions and agencies from 98 to new total of 52.

MAR. 13. PRC warns Reagan Administration that Sino-American relations will suffer "grave consequences" if US insists on making "long-term" arms sales to ROC.

MAR. 15. PRC sends note asking all diplomatic missions in Peking to advise their governments against dealing with ROC under guise of nondiplomatic exchanges.

MAR. 24. Soviet President Leonid I. Brezhnev appeals to PRC to revive search for better relations; appeal rebuffed by PRC 3/26.

APR. 13. US announces sale of $60 million in military spare parts to ROC; PRC protests 4/14, and warns 4/16 that US-PRC relations are at "critical juncture."

MAY 3. Reagan Administration asks Senate Agriculture Committee to designate PRC "friendly nation" to make it eligible for US food aid; request rejected 5/5.

MAY 5–9. Vice President George Bush visits PRC; meets with Chinese leadership, but fails to break impasse over US arms sales to ROC.

MAY 28. American woman in Peking is arrested for spying; expelled from PRC 6/3 after US protest.

MAY 30–JUNE 2. Senate majority leader Howard H. Baker, Jr. visits PRC to discuss strained US-PRC relations; says Chinese leaders "took my hide off" over issue of arms sales to ROC.

JUNE 1. State Department announces US-PRC talks that may enable US companies to develop Chinese nuclear power industry.

JUNE 10. Taiwanese Prime Minister Sun Yun-suan, omitting longstanding demand that PRC must renounce communism, says reunification with China may become possible as differences between the two sides narrow.

JULY 16. Reagan Administration says it has notified PRC that US will proceed with co-production of F-5E fighter aircraft with ROC; PRC reportedly protests decision.

JULY 25. PRC urges ROC to open reunification talks, offering 9-point plan including ROC retention of armed forces, socioeconomic system; ROC rejects proposal as trick.

AUG. 16. After 10 months of secret negotiations, US and PRC sign joint communiqué governing both nations' relations with ROC; PRC pledges to seek reunification with Taiwan only by peaceful means, US promises not to exceed—and gradually to reduce—current levels of arms sales to ROC. ROC expresses "profound regret" over US-PRC agreement 8/17.

SEPT. 1–11. PRC Communist Party holds 12th national congress in Peking; emphasizes ideological pragmatism and repudiates personality cult of Mao Zedong; adopts new Constitution 9/6 omitting disparaging references to US and USSR.

SEPT. 6–11. Former President Richard M. Nixon visits PRC to commemorate 10th anniversary of Shanghai Communiqué; urges US and PRC to "seize the hour" and expand mutual relations.

SEPT. 12. PRC Communist Party Central Committee elects Hu Yaobang as general secretary, drops Hua Guofeng from ruling Politburo, and on 9/13 elects Deng Xiaoping chairman of new Central Advisory Commission.

SEPT. 18. US officials says US is holding up nuclear cooperation agreement with PRC because it is suspected of giving nuclear aid to Pakistan and other nations thought to be developing nuclear weapons; PRC officially denies US allegations 9/25.

SEPT. 22–26. British Prime Minister Margaret Thatcher visits PRC for talks on Hong Kong and UK-PRC political and economic relations; in Hong Kong 9/26–9/28 says UK

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

has "moral responsibility" to Hong Kong and warns 9/27 against attempts to abrogate treaties regarding the British colony.

SEPT. 26. Brezhnev, in Baku, underscores importance of improved USSR-PRC ties.

SEPT. 30. PRC, responding to Thatcher's 9/27 statements, declares it is not bound by Hong Kong treaties, and says PRC will recover colony "when conditions are ripe."

OCT. 3–22. PRC and USSR hold first official negotiations in 3 years; talks, held in Peking, concluded with no significant signs of new agreement.

OCT. 16. PRC successfully test-fires its first submarine-launched missile.

OCT. 27. PRC officially announces population of 1,008,175,288, not including 23,707,223 citizens claimed by PRC in Hong Kong, Macao and on Taiwan.

NOV. 11. UK confirms signing of $170 million in contracts between Chinese and British firms for "the supply of equipment and defensive weapons as part of the modernization of the Chinese armed forces."

NOV. 14–18. Chinese Foreign Minister Huang Hua visits Moscow for Brezhnev's funeral; meets 11/16 with Soviet Foreign Minister Andrei Gromyko in highest-level contact between the two nations since 1969.

NOV. 30. Chinese Prime Minister Zhao Ziyang presents PRC's sixth 5-year plan, calling for modest annual growth of 4% from 1981 through 1985.

— In first such sale since 9/16 US-PRC communiqué regarding ROC, Defense Department says US plans to sell ROC $97-million worth of army vehicles.

DEC. 4. PRC People's Congress ratifies new Constitution restoring post of president, obliging Chinese citizens to practice birth control, and abolishing freedom to strike.

DEC. 27. France and PRC conclude preliminary agreement to aid Chinese development of peaceful nuclear technology.

SOUTHEAST ASIA, AUSTRALIA AND THE PACIFIC

FEB. 23. Five-man US delegation arrives in Hanoi to press inquiry into fate of over 2,400 Americans still listed as missing in action in Vietnam.

MAR. 22. US releases 32-page report presenting evidence of Soviet involvement in use of chemical and toxin weapons in Laos, Kampuchea (Cambodia) and Afghanistan.

MAR. 31. Gen. Vo Nguyen Giap, hero and leading communist military planner of Vietnam War, is among 6 members dropped from ruling Communist Party Politburo in Vietnam.

APR. 22. National Front led by Prime Minister Mahathir Mohamad wins landslide victory in Malaysian general elections.

APR. 30. US joins Argentina, Canada, West Germany, Japan, Thailand and UK in blocking $5.3-million food-aid program for Vietnam.

MAY 4. Incumbent Army-led GOLKAR coalition wins overwhelming victory in Indonesian general elections; opposition parties charge election fraud.

MAY 13. State Department releases new report showing "conclusive evidence" that toxins and chemical warfare agents have been used in recent months in areas of Laos and Kampuchea.

MAY 20. Secretary of State Alexander M. Haig, Jr. issues statement regretting that Indonesia has refused to accept Morton I. Abramowitz as US Ambassador to that country; Indonesia claims 5/22 that Abramowitz appointment was voluntarily withdrawn by US.

MAY 29. In reponse to Hanoi visit by US veterans group, Vietnam releases information about 4 US soldiers believed killed in Vietnam War, and says more bodies of dead soldiers will be returned to US.

MAY 30. Marshall Islands sign provisional agreement with US, establishing "free association" between the islands and US, and granting US military rights for 50 years in return for approximately $1.5 billion in payments to the islands over 50-year period; negotiations collapse over terms of ratification plebiscite 7/22; US agrees to reduce military use to 30-year period 10/22.

JUNE 13. Vietnamese Foreign Minister Nguyen Co Thach offers to free all labor detention camp inmates in Vietnam if US will accept them.

JUNE 16. New Kampuchean government in exile, pledged to oppose Vietnamese military presence in Kampuchea, is formed in Kuala Lumpur by one-time rivals Prince Sihanouk, former Prime Minister Son Sann and Khieu Samphan; US welcomes formation of coalition.

JUNE 20. US destroyer *Turner Joy* is reportedly fired upon by 2 Vietnamese ships in South China Sea; Vietnam denies US version of incident as "fabrication" 6/24.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

JULY 10. Fijian Alliance Party of Prime Minister Sir Kamisese Mara narrowly defeats Indian-dominated National Federation Party in general elections.

AUG. 2. Michael Somare is elected prime minister of Papua New Guinea.

AUG. 17. People's Republic of China (PRC) rejects Vietnamese proposal for 6-week cease-fire along their mutual border.

SEPT. 15–27. Philippines President Ferdinand E. Marcos visits US.

SEPT. 17. Thailand warns US and other noncommunist nations that it will force thousands of Indochina refugees back to their homelands unless other countries increase their refugee quotas.

SEPT. 18. PRC reports new border clashes with Vietnam 9/13 and 9/15.

OCT. 1. State Department announces that Vietnam has agreed to allow US technicians to visit Vietnam and give training in identification of human remains in search for Americans missing since Vietnam War.

— US signs agreement giving limited independence to the Federated States of Micronesia, while retaining military rights in the islands.

OCT. 6. Australia turns down US offer to share highly classified uranium enrichment technology due to concern over US congressional opposition, and announces it has selected consortium of British, West German and Dutch firms to help develop its uranium enrichment industry.

— Bipartisan group of US Senators and Representatives, citing reports of hunger and human rights abuses in East Timor, calls for Senate inquiry into effects of Indonesian takeover of the area 7 years earlier.

OCT. 28. UN General Assembly approves resolution (105[US]-23-20) calling on Vietnam to remove its 180,000 troops from Kampuchea and permit Kampucheans to choose their own government.

LATIN AMERICA

CENTRAL AMERICA AND CARIBBEAN

JAN. 10. Haitian exile leader Bernard Sansaricq claims his National Popular Haitian party has taken control of Tortuga island; Haitian government reports coup attempt has been put down 1/11.

JAN. 14. US Coast Guard announces arrest of Sansaricq for violations of US neutrality laws.

JAN. 27. In television interview, President Ronald Reagan acknowledges that Secretary of State Alexander Haig, Jr. met with Cuban Vice President Carlos Rafael Rodríguez in Mexico in 11/81; State Department had denied that meeting took place.

— Roberto Suazo Córdova, elected 11/29/81, becomes first civilian president of Honduras since 1972, succeeding Gen. Policarpo Paz García.

— Leaders of guerrilla movement in El Salvador ask US to accept negotiated solution to civil war.

JAN. 28. Reagan Administration says US "must be prepared to increase" aid to El Salvador after guerrilla attack 1/27 on country's largest air base; Reagan certifies to Congress that Salvadoran government is making "concerted" effort to protect human rights.

FEB. 1. US announces release of $55 million in Defense Department funds and supplies for emergency assistance to El Salvador; in making announcement, State Department officials deny alleged massacre of civilians by Salvadoran military.

FEB. 2. Haig declares US and its allies will do "whatever is necessary" to prevent overthrow of Salvadoran government; refuses 2/5 to rule out use of military force in Caribbean region.

FEB. 7. National Liberation Party candidate Luis Alberto Monge Alvarez is elected president of Costa Rica; sworn in 5/8.

FEB. 18. Reagan says US has "no plans to send American combat troops into action" in El Salvador or anywhere else.

— Mexico devalues peso by 30%.

FEB. 21. Mexican President José López Portillo urges broad regional talks aimed at Salvadoran peace and at better US relations with Nicaragua and Cuba.

FEB. 24. Addressing Organization of American States in Washington, Reagan outlines

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

new Caribbean Basin Initiative, a plan of trade and investment incentives for Caribbean development.

MAR. 2–4. Haig tells House Foreign Affairs Committee that US has "unchallengeable" evidence of Nicaraguan and Cuban involvement in guerrilla operations in El Salvador; US intelligence officials release reconnaissance photographs 3/9 as evidence of Cuban and Soviet assistance to Nicaragua.

MAR. 7. Former Defense Minister Gen. Angel Aníbal Guevara wins presidential election in Guatemala amid charges of voting fraud, is scheduled to take office 7/1.

— Nicaraguan Orlando José Tardencillas, brought to State Department press conference to support charges of foreign intervention in El Salvador, refuses to repeat earlier story of Cuban and Nicaraguan involvement with Salvadoran guerrillas, saying earlier statements were made under duress.

MAR. 17. Nicaragua protests to UN over alleged US violations of country's airspace; expresses readiness 3/18 to negotiate with US on all issues.

MAR. 19. Nicaragua calls for urgent meeting of UN Security Council (UNSC) to denounce "imminent" invasion of its territory by US or US-supported group.

MAR. 23. Outgoing Guatemalan government of President Lucas García is overthrown by dissident army officers claiming 3/7 elections were "fraudulent"; new 3-man junta headed by Gen. Efraín Ríos Montt takes office, suspends constitution 3/24.

MAR. 25. Addressing UNSC, Nicaraguan chief of state Daniel Ortega Saavedra proposes direct talks with US, says Cuba also ready for negotiations; US gives no firm response.

— State Department discloses that US special envoy Gen. Vernon E. Walters met with Cuban President Fidel Castro in Havana earlier in month; reports say Cuba is willing to discuss all aspects of regional situation with US, but will not withdraw support for Salvadoran rebels as condition for talks.

MAR. 28. Heavy voter turnout is reported in nationwide Salvadoran elections, held to elect 60-member constituent assembly that will prepare new constitution and name new government; returns give largest share of seats to moderate Christian Democratic Party, but 4 right-wing minority parties join to form majority coalition.

APR. 1. Panama formally assumes responsibility for policing Canal Zone under terms of 1978 Panama Canal Treaties.

APR. 7–11. Reagan makes official visit to Jamaica and Barbados; meets 4/8 with leaders of Barbados, St.Vincent and Grenadines, St. Kitts-Nevis, Dominica, and Antigua and Barbuda.

APR. 9. US offers Nicaragua 8-point proposal for improvement of relations, including end to Nicaraguan support for insurgencies in neighboring countries, resumption of US aid to Nicaragua, joint non-interference pledge, and regional arms ceilings; Nicaragua accepts plan as basis for negotiations 4/14.

APR. 15. Edén Pastora, hero of Nicaraguan revolution and former Sandinist official, denounces Sandinist regime at press conference in Costa Rica, calling for expulsion of Soviet and Cuban advisors from Nicaragua.

APR. 18. Nicaragua urges immediate negotiations with US; State Department says US not ready to hold formal talks.

APR. 19. US announces new restrictions on tourist and business travel to Cuba effective 5/5.

APR. 22. Salvadoran Constituent Assembly elects Roberto D'Aubuisson and other right-wing members to Assembly leadership, shutting out US-favored Christian Democrats; Assembly elects centrist Alvaro Alfredo Magaña as country's president 4/29.

MAY 10. Nicaragua announces signing of 5-year, $166.8-million aid pact with USSR.

MAY 16. Salvador Jorge Blanco is elected president of Dominican Republic in heavy voter turnout; sworn in 8/16.

MAY 30. Salvadoran Central Elections Council says vote totals in 3/28 elections might have been inflated by as much as 10%.

JUNE 9. Guatemalan leader Ríos Montt deposes junta partners and names himself nation's president; suspends constitutional rights, declares state of seige 6/30.

JUNE 10. Prime Minister Lynden O. Pindling of the Progressive Liberal Party wins election to new 5-year term in Bahamas.

JUNE 27. Honduras reports its military forces have begun joint military campaign with Salvadoran forces against insurgents in eastern El Salvador.

JULY 4. Outgoing President Antonio Guzmán Fernández of Dominican Republic dies of apparently self-inflicted gunshot wound; Vice President Jacobo Majluta Azar is sworn

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in to replace him.

— Miguel de la Madrid Hurtado, candidate of incumbent Institutional Revolutionary Party, wins election to Mexican presidency; will succeed López Portillo 12/1.

JULY 30. President Arístides Royo of Panama resigns citing health problems; Vice President Ricardo de la Espriella succeeds him.

AUG. 5. Mexican peso devalued second time in 6 months.

AUG. 20. After intensive meetings with Mexican officials, US outlines multibillion-dollar plan to aid Mexico with acute debt obligations; in New York, bankers approve Mexican request for 90-day postponement of $10 billion in debt principal in order to head off possible default.

AUG. 29. Bank for International Settlements announces agreement on details of $1.85 billion in loans to Mexico from US and 11 other industrialized nations.

AUG. 31. El Salvador acknowledges 3,657 government troop casualties in civil war for 12-month period ending 6/31.

SEPT. 1. Mexican President López Portillo announces nationalization of private banks and imposes foreign exchange controls; monetary reforms, including 2-tier fixed exchange rate for peso, put into effect 9/6.

SEPT. 2. Cuba reveals it has asked Japanese and Western banks to renegotiate terms of debt payments due over next 3 years.

OCT. 22. Five key members of leftist political opposition in El Salvador are reported kidnapped; US deplores abductions 10/23.

OCT. 26. Salvadoran opposition announces in Mexico City that it has proposed unconditional negotiations with Salvadoran government to end civil war; government leaders reject proposal 10/27.

NOV. 1. *Newsweek* magazine reports that US Ambassador to Honduras John D. Negroponte is overseeing covert arming and training of Nicaraguan exiles to "undermine" Nicaraguan regime; Reagan Administration admits US is supporting small-scale clandestine military operations intended to harass but not to overthrow Nicaraguan government.

NOV. 10. Mexico announces acceptance of major new International Monetary Fund (IMF) credit totaling $3.84 billion in return for strict new program of national austerity.

NOV. 11. Six major US banks reported to have approved $600 million in emergency loans to Brazil to help it avoid debt crisis.

NOV. 13. Nicaragua says it has proposed meeting with Honduras to help ease tensions between the two countries.

NOV. 17. Mexican Finance Minister Jesus Silva Herzog says Mexico is unable to meet more than its interest payments before 1984, and will seek complete renegotiation of its $78-billion foreign debt early in 1983; foreign banks agree to provide Mexico with $1 billion in new credit and to allow postponement of payments on principal until March 1983.

— Salvadoran judge orders 5 former members of Salvadoran national guard to stand trial in 1980 deaths of 4 US Roman Catholic churchwomen.

NOV. 23. IMF reportedly asks commercial banks to agree to lend Mexico $6.5 billion over next 13 months.

NOV. 30–DEC. 5. Reagan visits Central and South America, conferring with leaders of Brazil, Colombia, Costa Rica, El Salvador, Honduras, Guatemala.

DEC. 1. Pope John Paul II reported to have demanded resignation of Roman Catholic priests from Nicaraguan government as condition for papal visit in1983.

DEC. 5. Reagan, returning from meeting with Guatemalan President Ríos Montt, discounts alleged human rights abuses in Guatemala, and hints of end to US ban on arms sales to that country.

DEC. 18. Nicaragua removes its ambassador to US, Francisco Fiallos, after he criticizes regime; Fiallos says 12/20 that Nicaragua is threatened by prospect of "leftist dictatorship."

DEC. 19. Mexico announces sharp devaluation of peso, easing restrictions on international exchange; peso permitted to float 12/20, slumps to 148.5 to US dollar.

DEC. 22. Reagan accepts spending bill barring Administration from supporting military operations aimed at overthrowing Nicaraguan regime.

SOUTH AMERICA

FEB. 5. National Military Council headed by Lt. Col. Deysi Bouterse announces it has taken over rule of Suriname after resignation of President Hendrik R. Chin A Sen 2/4.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

MAR. 12. Suriname military forces put down coup attempt by right-wing rebel leader Wilfred Hawker; Hawker executed 3/13.

APR. 2. Argentina announces capture of British-held Falkland, South Georgia and South Sandwich Islands (*see* Latin America: The Falkland Islands War).

MAY 5. Argentine peso devalued 14.3% against US dollar.

— Colombian voters elect Conservative Party candidate Belisario Betancur Cuartas as country's president.

MAY 30. James C. Cason, chief of political section at US embassy in Montevideo, declared persona non grata by Uruguay for "interfering with internal Uruguayan matters."

— Colombian voters elect Conservative Party candidate Belisario Betancur Cuartas as country's president.

JUNE 17. Argentine President Leopoldo Galtieri resigns; Gen. Reynaldo Benito Antonio Bignone appointed 6/22 to replace him, takes office 7/1.

JULY 5. Argentine Economics Minister Dagnino Pastore announces emergency economic program, including new credit controls and devaluation of peso.

JULY 19. Bolivian President Celso Torrelio is ousted by military junta consisting of Army Gen. Angel Mariscal, Air Force Gen. Natalio Morales, and Navy Vice Adm. Oscar Pammo; Gen. Guido Vildoso Calderón sworn in as country's president, 7/21.

SEPT. 15. Vatican announces agreement between Argentina and Chile to extend 1972 nonaggression treaty which had been renounced by Argentina in January, and to accept papal mediation in dispute over Beagle Channel islands.

SEPT. 17. Bolivian President Vildoso, in office only 58 days, resigns to clear way for return to civilian government.

SEPT. 29. Venezuela, acknowledging growing credit problems, asks international bankers in New York to convert short-term indebtedness of government agencies into longer-term loans to central bank; reported 10/10 to seek refinancing of $2.5 billion in obligations due by 4/83.

OCT. 5. Bolivian Congress, in first meeting for more than 2 years, elects civilian government headed by exiled former leader Hernán Siles Zuazo to replace military junta; Siles Zuazo sworn in 10/10, entire military high command replaced 10/11.

OCT. 27. Argentina agrees to make sharp spending cuts in return for $2-billion International Monetary Fund (IMF) loan.

OCT. 28. Over 400 bodies suspected to belong to victims of anti-leftist violence in 1970s are discovered in unmarked graves in Argentina, sparking widespread demands for government investigation; count rises to nearly 1,000 by 11/5.

NOV. 3. Bolivia announces it will ask deferment of payments on its $2.8-billion debt.

— Peruvian President Fernando Belaúnde Terry cancels scheduled trip to US over import duty on Peruvian cotton.

NOV. 15. Opposition parties win majority of vote and control of several states in Brazil's first free nationwide elections in 17 years.

NOV. 18. In unilateral move, Argentina announces substitution of bonds and promissory notes for $4.7 billion in cash owed to foreign creditors by private Argentine concerns; experts express fear that Argentine action could have serious implications for international banking system.

NOV. 29. Venezuelan government announces that it has taken control of nation's largest bank, the Banco de los Trabajadores, in order to keep it from failing.

NOV. 30–DEC. 5. President Ronald Reagan visits Central and South America, conferring with leaders of Brazil, Colombia, Costa Rica, El Salvador, Honduras and Guatemala.

DEC. 1. Reagan, in Brasilia, announces $1.2 billion in emergency short-term loans to Brazil, together with relaxation of sugar quota and easing of other trade restrictions.

DEC. 3. Jeered by crowds, Reagan meets in Bogotá with Colombian President Bentancur, who publicly criticizes US policies.

DEC. 9. Suriname's military government announces it has foiled coup attempt by nation's "rich economic elite"; 35 opposition leaders reportedly rounded up and shot by security forces; martial law declared 12/11.

DEC. 17. US suspends aid to Suriname, citing 12/9 political killings.

DEC. 20. Brazil asks major international banks for $9.6 billion in medium- and long-term financing to help meet payments on its estimated $85-billion external debt; notifies foreign creditors it cannot make $446-million in principal payments due 1/83.

DEC. 22. IMF approves $546.5-million loan to Brazil as first part of expected $6-billion credit package; Brazil announces austerity measures to meet IMF guidelines 12/29.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

DEC. 31. Argentina signs $1.1-billion loan pact with its international bank creditors in New York.

THE FALKLAND ISLANDS WAR

MAR. 25. Argentine commandos land on South Georgia Island.

MAR. 30. British Foreign Secretary Lord Carrington tells Parliament Argentine invasion has created a "potentially dangerous" situation.

APR. 1. Argentina asks Organization of American States (OAS) to discuss UK-Argentina confrontation; UK asks UN Security Council (UNSC) to consider the matter.

APR. 2. Argentina announces capture of Falkland, South Georgia and South Sandwich Islands; UK breaks off diplomatic relations with Argentina.

APR. 3. UNSC (10[US]-1-4) demands immediate Argentine withdrawal from invaded territories.

— British Prime Minister Margaret Thatcher orders 35-ship task force to South Atlantic; imposes economic sanctions against Argentina.

— Argentina breaks diplomatic relations with UK.

APR. 5. Argentine Foreign Minister Nicanor Costa Méndes asks OAS to support battle against British "colonialism."

— British Foreign Secretary Carrington resigns, citing "humiliating" loss of Falklands; replaced by Francis Pym, Conservative leader in House of Commons.

APR. 6. UK asks European Economic Community (EEC) for economic sanctions against Argentina; EEC approves total ban on Argentine imports 4/10.

— US Secretary of State Alexander M. Haig, Jr. meets separately in Washington with Argentine and British ambassadors.

APR. 7. France, West Germany, Belgium and Austria join Netherlands, Switzerland and UK in banning the sale of arms and military equipment to Argentina.

— President Ronald Reagan directs Haig to sound out UK and Argentina on ways of avoiding a military confrontation.

Apr. 8. Haig meets senior British officials in London; holds talks with Costa Méndes and Argentine President Leopoldo Galtieri in Buenos Aires 4/10.

APR. 12. Argentina accepts Peruvian proposal for 72-hour truce around disputed islands; awaits British response.

— Haig arrives in London for new talks with UK.

— British blockade around islands, announced 4/12, takes effect.

APR. 13. Haig returns to Washington for consultations with Reagan.

APR. 14. Reagan urges Galtieri to show flexibility and restraint in avoiding confrontation.

APR. 15–19. Haig holds new round of talks with Argentine officials in Buenos Aires; cites "longstanding [US] obligations" to UK; Argentina offers plan for withdrawal of its troops, including joint interim Argentine-British administration, and full Argentine sovereignty after 6 months; UK rejects offer 4/20.

APR. 21. OAS decides (18-0-3[US]) to convene Organ of Consultation 4/26 to "consider collective action against Britain."

APR. 22–23. British Foreign Secretary Pym, in Washington, holds talks with Haig, who presents new proposals for averting conflict.

APR. 25. British forces, in 2-hour battle, recapture South Georgia Island.

APR. 26. Haig tells OAS foreign ministers in Washington that Falklands crisis should be solved within framework of UNSC resolution of 4/3; on 4/28 ministers adopt resolution (17-0-4[US]) supporting Argentine claim to islands and urging both sides to withdraw forces from area.

APR. 28. UK announces a 200-mile air and sea blockade around Falklands effective 4/30; Argentina imposes similar blockade 4/29 effective immediately.

APR. 30. Reagan, announcing full US support for UK, accuses Argentina of "armed aggression," orders limited sanctions against Argentina, and offers "matériel support" to British task force.

MAY 1. British bombers attack airfields on Falklands.

MAY 2–3. British submarine sinks Argentine cruiser *General Belgrano*, killing over 300 Argentine crewmen.

MAY 2. Pym meets with Haig and US Secretary of Defense Caspar W. Weinberger; he later meets with UN Secretary General Javier Pérez de Cuéllar to discuss Secretary General's offer to mediate in the dispute.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

MAY 4. Argentine *Exocet* missile strikes British cruiser HMS *Sheffield*, killing 30 crewmen.

— Argentine Foreign Ministry declares Argentina is "willing to negotiate a peaceful solution" through UN and calls for cease-fire.

MAY 6. British Defense Secretary John Nott says UK will never agree to cease-fire without "total withdrawal" of Argentine forces from Falklands.

MAY 9–11. British warships and helicopters attack Argentine vessels and positions near airport at Stanley.

MAY 10. Argentina drops insistence that its sovereignty over Falklands be recognized before withdrawal of its troops from islands.

MAY 14. USSR calls British war zones around Falklands "unlawful."

MAY 19. Pérez de Cuéllar makes personal appeal to Thatcher and Galtieri for more time to reach an accord; Thatcher, noting Argentine intransigence, rejects UN appeal 5/20.

MAY 21. British troops, despite heavy Argentine air attacks, establish "firm bridgehead" on Falklands.

MAY 23. Galtieri, responding to Vatican peace plea, offers cease-fire; UK rejects offer 5/24 in absence of Argentine withdrawal.

— USSR condemns UK for "armed invasion" of Falklands and demands immediate cease-fire.

MAY 24. EEC, except Ireland and Italy, agrees to indefinite extension of sanctions against Argentina.

MAY 28–30. British forces recapture Darwin, Goose Green, Douglas and Teal Inlet.

MAY 29. Meeting at Argentine request, OAS foreign ministers condemn (17-0-4[US]) British attack on Falklands, and urge US to halt its military aid to UK.

JUNE 2. Pérez de Cuéllar acknowledges failure to win cease-fire between UK and Argentina.

JUNE 8. Argentine air attack damages British frigate *Plymouth* and two landing ships, causing heavy casualties.

JUNE 14. Argentine forces on Falklands surrender to British at Port Stanley.

JUNE 18. UK and Argentina reach agreement on return of most of the over 10,000 Argentine prisoners held on Falklands; last prisoners returned 7/14.

JUNE 20. UK retakes Thule, the last island still occupied by Argentina, without a fight.

—EEC lifts its trade embargo against Argentina.

JUNE 26. British governor of Falklands returns to Port Stanley.

JULY 6. UK announces that British casualties during Falklands hostilities totaled 255 dead and 777 wounded; officially declares 7/12 that war is over.

JULY 12. Reagan lifts US economic sanctions against Argentina; ban on military sales remains in effect; last sanctions lifted 9/24.

JULY 26. Argentine Army removes from duty those senior commanders responsible for Falklands campaign.

NOV. 4. UNGA adopts Argentine resolution (90[US]-12-52) calling for negotiations on Falklands sovereignty; UK denounces resolution as "Argentine-inspired charade."

AFRICA

JAN. 2. Ghana leader Flight Lt. Jerry J. Rawlings suspends constitution, bans political parties and dissolves Parliament; former President Hilla Limann and 17 other officials are arrested 1/4.

JAN. 25. Egypt confirms reports that it has requested assistance on industrial projects from USSR.

FEB. 1. Libya reopens 2 border crossings to Egypt closed 3 years earlier to protest Egyptian-Israeli peace treaty.

FEB. 11. Organization of African Unity (OAU) votes to withdraw its peacekeeping forces from Chad by 6/30 unless President Goukouni Oueddye arranges cease-fire and begins negotiations with rebel forces.

FEB. 12. US and Morocco announce formation of joint military commission, and agree to open discussions on US request for access by US Rapid Deployment Force to Moroccan facilities.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

FEB. 17. Prime Minister Robert Mugabe of Zimbabwe dismisses coalition partner Joshua Nkomo, accusing him of plotting to overthrow government by force.

FEB. 26. Reagan Administration reported to have relaxed US export restrictions to South Africa.

FEB. 27. South African Prime Minister P.W. Botha overwhelmingly defeats right-wing rival Dr. Andries P. Treurnicht in confidence vote (172-36) within ruling National Party; Treurnicht, opposing Botha's moves toward liberalization on race issues, is ousted from Party hierarchy, and leaves Party with supporters to establish new Conservative Party at rally 3/20.

FEB. 28. Nineteen member-nations boycott closing session of OAU ministerial meeting in Addis Ababa to protest admission of Polisario Front guerrilla organization as OAU's 51st member 2/22; calling Polisario issue "the most serious challenge" in 19-year OAU history, Chairman Daniel arap Moi of Kenya calls special session on subject 4/22–4/25.

MAR. 11. State Department says US, hoping to facilitate negotiations on Namibia, has eased longstanding rule against admitting South African military officers into US on official business.

APR. 18. Polisario spokesman warns that his group may seek weapons from USSR if US continues to step up military assistance to Morocco.

MAY 27. US and Morocco formally complete agreement allowing US military to use Moroccan air bases during emergencies in Middle East and Africa.

JUNE 2. South West Africa People's Organization (SWAPO) leader Sam Nujoma rejects Western proposals for elections in Namibia, insists on one-man, one-vote proportional representation.

JUNE 7. Rebel forces commanded by former Defense Minister Hissen Habré capture Chad's capital, Ndjamena, forcing President Oueddye to flee; OAU peacekeeping force commander in Chad orders withdrawal of his forces despite appeal by Habré; Habré sworn in as president 10/21.

JUNE 12. Incumbent Labor party minority government of Prime Minister Seewoosagur Ramgoolam is shut out of Mauritian Parliament as opposition parties win all 60 seats in general elections.

JUNE 17. South African Prime Minister Botha says no agreement possible on Namibian independence until Cuban troops are removed from Angola.

JULY 1. Fighting erupts between Somalia and Ethiopia as Ethiopia mounts air attacks against Somalian border troops.

JULY 6. Seychelles condemns 4 foreign mercenaries to death and sentences one other to prison term for participating in 11/21/81 attempt to overthrow Seychelles government.

JULY 12. Somalia says Ethiopia has attacked 2 border settlements, appeals for aid in halting 11-day-old Ethiopian advance.

JULY 13. US announces "successful conclusion" of key phase of Namibian negotiations, saying all parties agree on principles of new constituent assembly and constitution; SWAPO denies report.

JULY 24. State Department confirms US airlift of military equipment to Somalia to help repel Ethiopian attacks.

JULY 25. Unidentified raiders attack Zimbabwe's main air base, destroying 13 of country's estimated 50 combat aircraft.

— Angola rejects proposed linkage between withdrawal of South African forces from Namibia and withdrawal of Cuban troops from Angola.

JULY 27. South African Supreme Court sentences 42 white mercenaries to prison for their role in Seychelles coup attempt; Court rejects allegations of South African complicity in plot; government releases 34 of convicted mercenaries 11/27.

JULY 30. South African Prime Minister Botha offers plan granting limited legislative role to South Africans of Asian and mixed-race ("colored") descent.

AUG. 1. Kenyan President Moi announces crushing of attempted coup by junior air force officers; air force disbanded 8/21.

AUG. 2. Voters in Equatorial Guinea approve new 7-year term for incumbent President Teodoro Obiang Nguema.

AUG. 6. OAU annual summit meeting postponed due to boycott over admission of Polisario Front.

AUG. 21. Swaziland's King Sobhuza II dies after 82-year reign.

AUG. 25. Angola reports that 2 South African armored columns have crossed from Namibia to more than 50 miles into southern Angola; Angola orders general mobilization

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of military forces; US says 8/26 that raid points up urgent need for Namibia accord.

OCT. 30. Polisario agrees to withdraw temporarily from OAU to pave way for meeting of African leaders.

OCT. 31. Nigeria press reports count over 452 dead in rioting by militant Muslims in northeast regions of country.

NOV. 3. International Monetary Fund approves $1.1-billion loan to South Africa despite strong international opposition.

NOV. 6. Cameroon's President Ahmadou Ahidjo resigns after 22-year tenure; succeeded by Prime Minister Paul Biya.

NOV. 7. Didier Ratsiraka reelected president of Malagasy Republic, winning new 7-year term with landslide 80.17% of votes cast; court rejects charges of electoral fraud brought by losing left-wing candidate, Monja Joana.

— Upper Volta military government of Col. Saye Zerbo is toppled; new regime headed by Maj. Jean-Baptiste Ouedraogo.

NOV. 24. Ghana leader Rawlings announces crushing of coup attempt.

NOV. 25. Efforts to convene OAU summit in Tripoli are abandoned in wake of new dispute over whether to seat victorious rebel forces of Habré or ousted government of Oueddye as Chad delegation; meeting dismissed without quorum after boycott by pro-Habré nations.

DEC. 2. Zimbabwean authorities seize passport of former Prime Minister Ian D. Smith; police raid Smith's home 3 times without explanation 12/5–12/7.

DEC. 9. Surprise raid by South African commandos in Maseru, Lesotho, kills 42 persons, including 30 alleged members of underground African National Congress (ANC) resistance group.

DEC. 19. Bombs damage South African nuclear power station; ANC claims responsibility, terming attack a "salute to our fallen heroes" killed in Lesotho 12/9.

DEC. 29. Anti-Marxist Angolan rebel group claims 404 government soldiers killed in 4-day offensive marking anniversary of guerrilla war in country.

OTHER GLOBAL DEVELOPMENTS

MAR. 16. US rejects as inadequate compromise proposals on seabed mining advanced by smaller nations at UN Conference on Law of the Sea.

APRIL 15. In remarks interpreted as veiled reference to Reagan Administration, World Bank President Alden Clausen in Lagos, Nigeria, criticizes "tragic" failure of Western governments to meet commitments to Third World development aid.

APR. 18. USSR issues decree enpowering Soviet enterprises to engage in deep-sea mining, setting stage for challenge to US companies if Reagan Administration blocks international seabed agreement.

APR. 30. Over US opposition, UN votes (130-4[US]-17) to approve Law of the Sea Treaty.

MAY 10–18. Second UN Conference on Global Environment held in Nairobi, Kenya; US calls 5/11 for more reliance on private initiative and market forces in dealing with environmental problems; final communiqué presses need to save global resources.

JULY 9. President Ronald Reagan formally announces that US will not sign Law of the Sea Treaty approved by UN 4/30 due to objections to provisions regarding future seabed mining.

JULY 23. International Whaling Commission (IWC) votes (25[US]-7) in Brighton, England, to ban all commercial whaling starting in 1986.

SEPT. 7. In first yearly report, UN Secretary General Javier Pérez de Cuéllar says UN largely defied or ignored by many nations, and calls for measures to bolster organization's authority; US delegate to UN Jeane J. Kirkpatrick applauds Pérez de Cuéllar's report, pledges that US will help strengthen organization's peacekeeping efforts.

SEPT. 24. UN General Assembly (UNGA) defeats (70[US]-30-43) Cuban attempt to declare Puerto Rico a US colony.

— Following vote (39[US]-41) against acceptance of Israeli delegation's credentials, US delegation withdraws from International Atomic Energy Agency conference in Vienna; US asserts 10/16 that it will withdraw from any UN organization which votes to exclude Israel.

NOV. 3. US sends message urging Japan not to defy ban on commercial whaling that

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

takes effect in 1986; IWC announces 11/8 that Japan, USSR, Chile, Norway and Peru have filed objections to ban.

Nov. 23–Dec. 3. UN Educational, Scientific and Cultural Organization (UNESCO) holds special planning conference in Paris; Western delegates express satisfaction with final resolutions, which delete or modify several earlier UNESCO positions seen as posing threat to international press freedom.

Nov. 29. UNGA Political Committee approves (71[US]-18-30) resolution calling on Secretary General Pérez de Cuéllar to investigate illegal use of chemical weapons in warfare.

Dec. 10. Representatives of 117 nations sign Law of the Sea Treaty in Montego Bay, Jamaica; US and 46 other countries refuse to back treaty chiefly due to seabed mining provisions.

— Over US opposition, UNGA approves (108-13[US]-13) nonbinding resolution endorsing right of all nations to veto television satellite broadcasts from abroad.

Dec. 30. Reagan announces US will not pay UN assessment of as much as $1 million per year because disputed funds "are destined to finance the very aspects of the Law of the Sea Treaty that are unacceptable to the US."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Equities trading area.

Taxable and tax-exempt debt trading area.

The trading block.

First Boston's corporate headquarters in midtown Manhattan offer clients and customers unsurpassed trading facilities to transact business in today's increasingly volatile markets—a blockwide room of the best trading minds in action.

The world's most modern trading floor.

We've invested over $15 million to make our trading floor the most modern anywhere. State-of-the-art communications and computer equipment give our trading and sales professionals instantaneous, unexcelled access to market information. The trading and sales areas have a unique, multitiered design which encourages close working relationships within the vast spaces of the floor.

Strength, integrity, balance.

Actively involved in the markets of virtually every investment-grade security, we are adept at executing trades of all sizes, marketing new issues, hedging and arbitrage. With our multibillion dollar stake in these markets, First Boston has to have a point of view, and ours is based on inputs from many sources, among them economic, equity and fixed-income research and domestic and international market specialists. We provide that same worldwide perspective of the securities markets for our customers and clients.

"The Street has moved to Park Avenue."

That will be your reaction to First Boston's trading floor and the other nine floors we occupy in the Park Avenue Plaza building at 52nd and Park in midtown New York.

In addition to our trading operation, it's the home of our corporate finance, public finance, research and executive offices. Here, we continue our tradition of soundness and integrity in investment banking.

First Boston at Park Avenue Plaza—it's the Street's new address for the innovative financing techniques that lead to the swift mobilization and transfer of capital.

First Boston
Investment Bankers

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Up and down, up and down.

When the economic climate is sunny, nations—including America—love to trade with one another. Let a recession set in, though, and they're likely to want protection from the foreign goods flowing into their markets.

Many would argue that trade restrictions and export subsidies at times will permit older industries to modernize and domestic employment rise, relieving some of the pressure caused by lower-cost competitors.

The record shows differently: Trade restrictions or expensive subsidies seldom, if ever, have had any of those desired results. When a country sets up artificial barriers or inducements to protect inefficient or noncompetitive industries, history records that other countries retaliate with import quotas, tariffs and subsidies of their own.

In the last half century, the world has moved a long way towards free trade and away from protectionism. As a result, the U.S. has profited from free trade, just as the world has profited from trade expansion.

Progress in ending many protectionist practices in recent years has come through serious and difficult negotiations with our major trading partners.

For example, the General Agreement on Tariffs and Trade (GATT) has led to lower import duties on commodities and other products over three decades. GATT is also the means for governments to settle disputes and gain relief from unfair subsidies, tariffs and quotas.

These international trading rules have by no means solved all trade problems, as recent experience testifies. But U.S. farm exports have flourished under these rules during the past 20 years, and overseas buyers have been able to obtain our farm products at competitive prices.

So before we are tempted to adopt short-term solutions to today's problems, let's remember what free trade has done for U.S. exports—and especially for our farm exports.

Continental Grain Company, 277 Park Avenue, New York, NY 10172.

Continental Grain

The world's attitude towards free trade looks something like this.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED